

A T H E S I S

ON

THE DEVELOPMENT AND ORGANISATION OF THE
SCOTTISH CO-OPERATIVE MOVEMENT

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by

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C O N T E N T S

	page
INTRODUCTION	vii
 <u>Part I. The Historical Background</u>	
Chapter I. The Historical Development of the Scottish Co-operative Movement	I
- Co-operative Employment and Trade Union Organisation	21
 <u>Part II. The Structure of the Co-operative Movement.</u>	
Chapter II. The Retail Societies - A General Survey	
(1) Membership	30
(2) The Size of the Retail Society	36
(3) The Scottish Societies - A Geographical Analysis ..	41
(4) Competition between the Retail Societies	50
(5) Trade of the Retail Societies	54
(6) Co-operative Finance	68
(7) Dividends and Surplus	79
(8) Employment with the Retail Societies	89
Chapter III. The Retail Societies - Six Case Studies	
A General Outline	100
(1) St. Cuthbert's Co-operative Association Limited	108
(2) East Lothian Co-operative Association Limited ..	135
(3) Dunfermline Co-operative Society Limited	152
(4) Perth Co-operative Society Limited	161
(5) Glasgow South Co-operative Society Limited ..	180
(6) Blantyre Co-operative Society Limited	191
Chapter IV. The Scottish Co-operative Wholesale Society Limited	
(1) Membership and Control	197
(2) Merchandising	208
(3) Production	217
(4) Banking	220
(5) Retail Trading	223
(6) Employment	226
(7) S.C.W.S. Capital and its Utilisation.	237

INDEX OF TABLES

Part III. Problems Arising From The Study And Conclusions

Chapter V. Co-operative Democracy	Page
(I) The Retail Society (1870-1900)	248
(2) The Wholesale Society	270
(3) The Co-operative Union	276
Chapter VI. Co-operative Management and Organisation	
(I) The Retail Society	286
(2) The Wholesale Society	302
Chapter VII. The Theory and Practice of Co-operative Production	
(I) Production by the Retail Societies	317
(2) Production by the Wholesale Society	324
(3) Planning for Co-operative Production	346
Chapter VIII. Co-operative Employment	
(I) The Employee as a Member	350
(2) The Employee as a Director	355
(3) Relations between the Co-operative and the Trade Union Movements	358
(4) A Comparison of Wages and Conditions	363
(5) Joint Consultation	368
Chapter IX. Co-operative Enterprise and the Consumer	
(I) Co-operative and Private Trade	372
(2) Co-operative Departmental Trade	382
(3) Summary of Conclusions	398
Appendix I. Scottish with more than one Society	411
Appendix II. S.C.W.S. Productive and Service Plants	414
Bibliography	416

INDEX OF TABLES

No.		Page
1	Capital and Sales of the S.C.W.S. (1870-1900)	20
2	Membership of Retail Societies, Scotland and the United Kingdom (1901-1951)	32
3a	Population and Membership in Scotland (1901-1951)	33
3b	Population and Membership in the United Kingdom (1901-1951)	34
4	Co-operative Membership in Scotland (1901-1951)	36
5	Retail Distributive Societies in Scotland arranged ^{according} to membership in 1951	37
6	Retail Distributive Societies arranged according to membership in 1951. Scotland and United Kingdom	38
7	Retail Distributive Societies arranged according to membership (1914 and 1951)	39
8	District Population and Membership (Scotland 1951)	43
9	Classification of Societies by size in the various districts	46
10	Trade of the Retail Societies in 1951. Scotland and the United Kingdom	55
11	Sales of the Retail Societies according to Membership	57
12	Trade in S.C.W.S. Retail Branches and Other Societies arranged according to Membership in 1951	56
13	Retail Societies Sales corrected for Price Changes (1938 - 1945 - 1948 - 1951)	62
14	Retail Trade per member adjusted for price changes (1914 - 1918 - 1928 - 1938)	64
15	Retail Trade per member adjusted for price changes (1938 - 1945 - 1951)	65
16	Membership and Location of Six Selected Societies	68
17	Membership and Population in the East Lothian County and in Scotland (1901-1951)	103

No.		Page
18	Credit and Assets in Three Retail Societies	145
19	Capital of the S.C.W.S. as at January 24th, 1953	168
20	Retail Societies Purchases from the C.W.S., arranged according to size	179
21	Retail Societies Purchases from the S.C.W.S. arranged according to size	180 - 181
22	S.C.W.S. Productive and Service Plants	185
23	Trade and Capital of the S.C.W.S. arranged according to the type of Society in 1952	223
24	Co-operative Production in Scotland according to the type of Society in 1951	266
25	Production by Co-operative Societies in 1951	267
26	Retail Societies with Production above £100,000 in 1951	269
27	Production by the Retail Societies in the various districts in 1951	272
28	Production of Certain Goods and Services by Retail Societies	274
29	Mechanisation Expenses; Percentage of mechanisation expenses to conversion cost. Average for 1950-51-52	278
30	Mechanisation Expenses in Six C.W.S. factories and comparative figures from the S.C.W.S.	281
31	Size of Plant in S.C.W.S. and prevailing size in the industry	283
32	Localisation of S.C.W.S. Factories and of manufacturing industry in Scotland	287
33	Production and Sale of Footwear in the S.C.W.S.	298
34	Consumer-spending in Great Britain and in Scotland	325
35	Average Weekly Expenditure in Scotland and the United Kingdom 1937/38	326
36	Consumers Retail Trade in Scotland	327
37	Retail Trade in 1950	328

No.		Page
38	Retail Trade in 1950 grouped by form of Organisation	330
39	Regional Retail Sales grouped by Kind of Organisation	331
40	Consumer-spending for the Years 1915 , 1920, and 1938	333
41	Departmental Co-operative Trade in Scotland (1931 - 1938 - 1948 - 1951)	335
42	Departmental Co-operative Trade in Scotland and United Kingdom (1931 - 1938 - 1948 - 1951)	336
43	Retail Trade by Kind of Business in Scotland Proportion of Co-operative to National Trade	338
44	Spending per head of the population in 1950. Scotland and Great Britain	339
45	Co-operative Retail Establishments. Scotland and Great Britain	340
46	Number of Establishments in Confectionery, Tobacco and Jewellery	341
47	Scottish Co-operative Trade in Clothing	344
48	Departmental Trade of Five Retail Societies	348

INTRODUCTION

The importance of the Co-operative Movement in Scotland as a channel of distribution cannot be overlooked. In this country about one fifth of the retail trade in consumer goods is passed to the consumer through Co-operative shops. Moreover, when it is remembered that 36.9 per cent¹ of the value of goods consumed by the public go to remunerate the middleman as distributor, it will be immediately realised how big a slice of our daily income is absorbed by the cost of distribution. This is composed mainly of wages, transport expenses, and profit to the entrepreneur-distributor. Co-operative trading tends to eliminate the profit item, which is to be returned instead to the consumer in the form of dividend on purchases.

According to statistics published by the Board of Trade there is, in Great Britain, a retail shop for every seventy of the population and a shopworker for every five families, whereas over 500 million pounds are paid annually to the three million persons who are connected in one way or another with the distributive trades.² We cannot at the present time disregard any practicable economies in the use of manpower as a factor in production, and the distributive trade may well offer a fruitful field for their application.

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1. J.B. Jefferys, *The Distribution of Consumer Goods*, p.83.
 2. The total number of retail establishments in the retail and service trades in 1950 was 684,764 with 3,004,404 persons engaged and £519,001 million paid in wages and salaries (Census of Distribution and other services 1950 - vol.1., p.2: H.M.S.O. 1953.) The number of households in Great Britain in 1951 was 14,481,500 (Census of Population 1951, Part 1, p.154: H.M.S.O. 1952).

In addition to its business function, the Co-operative Movement stands for certain social principles, for which its leaders claim at least equal importance. The Co-operative Movement, it has been said, aims at the voluntary democratic control of the operations of industry without the incentive of profit-making or the stimulus of pecuniary gain. It is, in other words, a way of life. Professor A.N. Shimmin once said that with the nine million members of the Co-operative Movement (in 1944) it follows that a considerable number of the homes in this country are linked in a common purpose. If this is so, and if this common purpose is both social and economic, then the Co-operative Movement must have a far greater influence on our daily life than is generally conceived.

At present more than a quarter of the Scottish population are members of the 196 Co-operative retail societies in Scotland. The Scottish societies have always gained first place among societies in all parts of Great Britain with regard to membership, trade, and the amount of dividend distributed. The proportion of Co-operative retail trade to the national retail trade is, 20.1 per cent for Scotland and only 12.0 per cent for the whole of Great Britain. The average sales per member for 1951 were £90.30 in Scotland whereas they were only £60.75 for Great Britain. The amount of surplus (excluding share interest) was 9.49 per cent of the members' purchases in Scotland and only 6.64 per cent of their

1. All Statistics about the Co-operative Movement are taken from the 'Co-operative Statistics', published annually by the 'Co-operative Union Ltd.', Manchester.
2. This assessment is based upon figures published in the 'Census of Distribution and other Services 1950'. See pp. 327-328.

purchases in Great Britain.

Despite the magnitude of the Consumers' Co-operative Movement in this country, comprehensive research in this field has been very limited. Interest in the subject was temporarily stimulated by the appearance of the "Consumers' Co-operative Movement" by Sidney and Beatrice Webb in 1921, but it was not until 1938 that another extensive report on the principles and practice of the Movement was issued by a group of University Professors.¹ Then Professor G.D.H. Cole made a contribution to Co-operative literature in 1944, to mark the centenary of the Rochdale Pioneers' Store.² In all these publications little prominence has been given to the progress of the Movement in Scotland; nevertheless it undoubtedly merits greater care and attention than it has hitherto received. The Co-operative Movement from among its own ranks has produced investigations on specific aspects of the Movement, outstanding among which is J.A. Hough's "Co-operative Retailing 1918-1945".³ The present study is an investigation of the development and organisation of the Co-operative Movement in Scotland with a view to ascertaining its present-day major problems, and an attempt to find possible solutions, bearing in mind the Movement's claim to a dual

objective, social as well as economic. Co-operative enterprise

1. A.M. Carr-Saunders, P. Sargent Florence, and R. Peers - Consumers Co-operation in Great Britain - An examination of the British Co-operative Movement.
2. G.D.H. Cole, A Century of Co-operation.
3. Other Works concerned with the early history of the Movement in Scotland are:- W. Maxwell's "History of Co-operation in Scotland", and J.A. Flanagan's "Wholesale Co-operation in Scotland, 1868-1918".

in Scotland has developed overwhelmingly, if not exclusively, within the Consumers' Movement. This thesis will therefore be confined to the Consumers' Movement in Scotland from the retail and wholesale angles in the fields of both distribution and production. Reference will be made to other forms of Co-operative institutions, such as the producers' societies, but only in so far as they come in contact with the Consumers' Movement either in matters of principle or of practice.

The Authorities consulted and sources drawn upon in preparing this thesis have been^{as} varied and representative as possible; the scattered information obtained from the works referred to above, and other contemporary publications are supplemented from the Co-operative Union's own literature, particularly its Annual Congress reports. Interviews with officials in the various Co-operative organisations as well as with trade union leaders have been very fruitful. In order to get as close a view as possible of the various problems facing the retail society, six retail Co-operative societies, fairly representative of the 196 Scottish societies were selected, and a case study was made of each. Wherever possible the records of these societies have been drawn upon. A similar method has been applied to the Scottish Co-operative Wholesale Society.

The material presented in this thesis consists of three parts. Part One is an historical survey of the Movement as background to the subject. Part Two is an examination of the prevailing circumstances that shape the present structure of the Scottish

Co-operative Movement with its relevant problems.

Finally Part Three comprises a critical analysis of the outstanding problems of the Movement and attempts to find suitable solutions.

C H A P T E R 1

The History of the Co-operative Movement in Scotland.

A study of the historical background of the Co-operative Movement in Scotland is necessary for the purpose of understanding the nature of its present-day problems. The Union of England and Scotland in 1707 marked a substantial change in the economic prospects of Scottish trade and industry. New markets, both south of the Border and in the colonies, became available to Scottish traders until the outbreak of the American War of Independence in 1777, which brought about a complete change in the structure of the Scottish economy. A vast source of trade was completely destroyed by the stoppage of tobacco imports from the American colonies. New outlets were therefore sought for the idle capital; and with incredible speed Glasgow began to build up an extensive cotton industry on the basis of her already existing linen industry.¹ Moreover, highly skilled labour previously engaged in hand-loom weaving of fine linen became available for the new expanding cotton industry. These two factors, capital and labour, together with the invention of modern machinery and equipment, particularly Arkwright's "Water Frame" and James Watt's "Steam Engine", marked the beginning of

1. H. Hamilton, The Industrial Revolution in Scotland, p.7.

the Industrial Revolution in Scotland during the last two decades of the eighteenth century. The vast expansion of the cotton industry which coincided with the era of inventions was a feature of the first stage of the industrial revolution. Factories were then dispersed in search of water power. The second stage, however, was conditioned by the wide application of the steam engine and the consequent rise of the iron and steel industries, when a larger unit of manufacture became more economical. Through both stages, however, the industrial region has remained constant within the midland belt around the Clyde and the Forth. The wage earners who came from the country in search of employment, had to be supplied with dwellings and provisions. Factories were in most cases, especially at the earlier stage, established in isolated areas. Employers in those days, by controlling their own factories, were also indirectly controlling the lives of the workmen employed in them. In the absence of legislative checks, this control naturally developed into exploitation. Wages were low in comparison with prices of food and dwellings. It has been said that in about 1776, male workers in Edinburgh could easily gain one shilling per day if they chose to exert themselves; in Aberdeen about 1795 male workers in the linen factory could earn from five to twelve shillings per week.¹ On the other hand, prices of food products

1. T. Johnston, A History of the Working Classes in Scotland, p.303.

did not allow of a reasonable standard of living for the wage-earners of that time. The following prices of food commodities¹ may be taken as representative of the whole of Scotland:-

Beef and Mutton	per stone	5s. to 7s.
Butter	per lb.	6d. to 1s.
Cheese	per lb.	3d. to 6d.
Eggs	per doz.	5d. to 10d.

(1) The First Phase of the Co-operative Movement - Early Attempts

It appears that the rise of trade unionism and the workers' urge to establish their own co-operative store had a stimulus in the growing power of the manufacturer to control industry and his success in depressing wages and exploiting labour. The principle of unrestricted wages and free labour demanded by industrialists, at the turn of the eighteenth century, found wider acceptance through the teachings of Adam Smith, who advocated a laissez-faire attitude towards industry and commerce.

The declining wage-level gave rise to numerous wage disputes, strikes and lock-outs. This inevitably led the workers to seek remedies for their weakness by joining together to demand the intervention of the authorities in their quest for higher wages and better working conditions. Another source of grievance to the workers was the common custom of paying wages fortnightly or monthly and this delay in payment made it difficult for the worker to obtain the necessary clothing and food for his family on cash.

1. W. Maxwell, op. cit., p.22.

The only way open to him was either to get them from the works store or from the local shop on credit. The practice of the arrestment of wages, which was at this time supported by law, was known to have encouraged credit trading among the working classes. Thus a second master for the worker appeared on the scene, viz., the retail shopkeeper. In these circumstances it was only natural for the worker to attempt to find a way that would get him better value for his wage. Co-operative stores established and run by the workers were but some of these attempts. The first of these ventures, which started in 1769, was the Weavers' Society at Fenwick, near Kilmarnock. This as far as is known, was the first Co-operative Society in the United Kingdom. Another society, which began business in 1777, was Govan Victualling Society (Glasgow). Three societies were established in Glasgow in 1800. Among the other known attempts at this time were the Lennóxtown Victualling Society established in 1812 and the Larkhall Victualling Society in 1821.¹ It is believed that several other societies existed in various parts of Scotland at the beginning of the nineteenth century.² These societies were formed as joint stock companies, each member contributing an equal amount of capital. Goods were

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1. Tradeston Temperance, Bridgeton Provident, and Glasgow Co-operative are mentioned by Richardson Campbell in his book, *Provident and Industrial Institutions*, p.220.
 2. W. Maxwell, op. cit., p.53.

sold to members at cost price plus an extra charge to meet expenses. Lack of business experience, shortage of capital, agitation by employers who were benefiting from their own truck shops, and legal restrictions against combinations, were all factors leading to the failure or the qualified success of most of these early efforts.

(2) The Second Phase of the Co-operative Movement - Owenite and other influences.

This part of Co-operative history in Scotland extends from the early eighteen twenties to the late fifties. The Owenite Influence is clearly marked among societies formed during this phase. The ten years between the middle twenties and the middle thirties has been considered as the great age of Owenism. This decade starting with the repeal of the Combination Acts, saw the rise of the nation-wide trade union movement inspired largely by co-operative and socialist ideals, and the setting up of numerous kinds of co-operative societies.¹ Scotland saw both the formation of Robert Owen's ideals of the New Moral World and an attempt to realise his idea of self-contained colonies. A Co-operative village was started in Orbiston, Lanarkshire, in 1825, mainly with the support of George Maudie's capital and under the leadership of Abram Combe. Several hundred people started a communal life with "some interesting experiments in education and a system of sharing² based on equal payments per hour for persons of all callings." The establishment was progressing well until the sudden death of

1. G.D.H. Cole, A Century of Co-operation, p.13.

2. Ibid. p.21.

Combe caused the collapse of the whole plan. The village was finally closed owing to strong pressure from creditors. The Orbiston experiment was not the only attempts to carry out Owen's ideas: the New Harmony Settlement, U.S.A., (1824-8), and that at Ralahine, Ireland, (1830-33), were other ventures with the same objective and a similar fate. In spite of the complete failure of all these experiments, Owen's believers, undeterred, continued preaching his gospel and helped in forming trade unions as well as co-operative societies all over the country.

Outstanding among the enthusiastic Owenites was Alexander Campbell of Glasgow who has been justifiably called the father of co-operation in Scotland and 'whose long and mysterious career¹ embraced nearly half a century of public life." Campbell's first appearance on the scene in Scottish Labour Movements was at Orbiston, where he took charge of the boys and the management of the Iron² foundry which was the most successful part of the establishment. By 1830 Campbell was one of the active leaders of a Glasgow Co-operative Society. A bazaar which was opened in connection with this society was to carry out Owen's ideas of the labour exchanges where the products of labour were bought and sold, the value of output being determined by the amount of time spent in the production and the cost of materials used. This system was not fully accepted by a number of members of the Society and in 1831 they left the Society to start their own Owenite scheme. Many other societies

1. W.H. Marwick, Economic Developments in Victorian Scotland, p.199.
 2. G.D.H. Cole, A Century of Co-operation, p.21.

were formed at that time in different parts of the country. The general pattern of these societies can be deduced from a letter written by Campbell in connection with his attack against the truck system.¹ This letter was sent to Joseph Hume and others in 1831 on the occasion of their presenting a Bill to the House of Commons for the purpose of abolishing the truck system, in which he explained the practice of the Glasgow Society and its contemporaries as follows:-

"...their capital is to be applied to the following objects: the purchasing at wholesale price of such articles of daily consumption as the members may require, and retailing out of them and others at the usual retail price, adding all profits to stock for the further object of giving employment to those who may be out of work or otherwise inefficiently employed, and thereby still increasing their capital to attain their ultimate object - the possession of the land, the erection of comfortable dwellings and asylums for the formation of a superior character for their youths, upon the principles of the new society as pronounced by Robert Owen..."²

Campbell, in fact, accepted the ordinary retail society as a means to an end: 'the land was his objective where people could be employed, and he favoured the store as a means for raising funds to purchase the land'. After the collapse of the Glasgow Society, Campbell then engaged himself in delivering lectures at various parts of the country advocating the formation of co-operative societies and trade union organisations.³ Campbell had strong connections with the "Glasgow and West of Scotland Association for

1. W. Maxwell, op. cit., p.59.

2. Loc. cit.

3. W.H. Marwick, op. cit. pp.188 and 199.

the Protection of Labour", and the "Central Trade Union of Glasgow". Moreover, he took a leading part in issuing the paper "Herald" to the Trade Advocates", Glasgow, in 1831, and published the "Tradesmen"¹ in 1833. He was later attached to the "Glasgow Sentinel".

Owenism was again revived by a group of enthusiasts calling themselves the Association of all Classes of All Nations, and in 1837, Campbell was appointed an Owenite or Socialist missionary.² The father of Scottish co-operation next appears as an advocate of another Glasgow Society which survived for only a short period from 1856 to 1865.³ Despite this failure which faced Campbell's direct attempts at running co-operative societies, one can hardly overlook the fact that he was one of the very few leaders who persisted in advocating Owen's ideals in Scotland and perhaps in adjusting them as time went by. It will be noticed from the following pages that Campbell was a strong supporter of the system for distributing dividend on purchases and that during the preparations for the formation of the Scottish Wholesale Society,⁴ Campbell took a leading part. Indeed, there is a strong belief that it was through Owen's teachings that the working-classes began to take a deep interest in social matters and that Campbell, in fact, was the driving force behind most of the reform movements in the half-century following his association with Owen. During this phase the following Societies were established:⁵

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1. G.D.H. Cole, A Century of Co-operation, p.33 and J. Flanagan, p.54.
 2. G.D.H. Cole, A Century of Co-operation, p.33.
 3. J. Flanagan, op. cit., p.52.
 4. See below. p.18
 5. R. Campbell, op. cit., pp.220 - 1.

Leven Baking	1828 Kirriemuir	1839
East Forfar	1830 Kingskettle Joint Stock	1840
Bannockburn, Stirlingshire	1830 Darvel Industrial	1840
Parkhead and Westmuir, Glasgow	1831 Leslie, Fifeshire	1840
Cadder, Lanarkshire	1832 Alva, Clackmannan	1847
Arbroath Equitable	1833 Menstrie	1847
Brechin United	1833 Bainford Baking	1847
West Port, Arbroath	1834 Tillicoultry, Clackmannan	1849

The effect of the Chartists can be traced in the south of Scotland. Co-operative Societies which were started in Hawick and Galashiels in 1839 were mainly the outcome of chartist efforts. As a matter of fact, membership of the society in Hawick, known as the "Chartist Store", was confined to Chartists. Many other societies were the outcome of need rather than of theories and had a strong emphasis on thrift,¹ for example, the Brechin Upper and Nether Tenements Saving Association (1833) had among its aims "to alleviate existing distress, to protect the scanty reward of toil and industry from becoming the prey of intrigue, fraud, and design".²

A new element appeared in the methods of these societies, viz., the distribution of profits in proportion to capital. This practice showed its effect in the price policy of these societies. Previously, as noted, only cost price plus a slight increase for expenses was charged to members, but by the adoption of this new system higher prices were charged to yield higher profits. This was undoubtedly one of the main reasons why those societies did not find strong support. Another practice characteristic of these

1. G.D.H. Cole, *A Century of Co-operation*, p.149.

2. W. Maxwell, *op. cit.*, p.75.

societies was that of credit trading. This was to some extent inevitable, since private traders granted credit to workers who could hardly survive on cash trade. The economic hardships and resulting bad debts that accompanied the "hungry forties" caused the collapse of many societies. Some societies, however, insisted on cash trade which was in itself a reason for lack of support from workers who were strongly tied to their creditors.

(3) The Third Phase of the Co-operative Movement - The Modern Movement

The economic crisis caused by the Railway mania reached its climax in 1847. Workers were in great distress and many co-operative societies had been dissolved by the end of the forties. The next ten years saw a lapse of co-operative ventures in Scotland save for some few abortive attempts at Co-operative productive societies¹ formed as a result of strikes or lock-outs. Because of the numerous failures that occurred, co-operative enterprise was branded as a risky project. Another crisis was characterised by many failures of big business, followed by the voluntary liquidation of the Western Bank in 1857.

By the end of the fifties, however, a new history of co-operation was in the making. Contact between the existing societies became easier, and literature was cheaper and more accessible to many of the working classes. The spread of co-operative ideas helped substantially in stimulating initiative.

1. The Amalgamated Society of Engineers and the Boilermakers, during the "masters strike" in 1852, considered the establishment of co-operative engineering works. During the Bakers' strike in 1857 a co-operative Bakery was under consideration, and the Edinburgh Building Society was formed by the Masons' Union as a result of a strike in 1861 - See Johnston, op. cit., pp. 385 and 386.

Thus we find that approximately fifty co-operative societies¹ began business in the late fifties and during the sixties. The fact that legal recognition, changes in ideals, and the rise of federal institutions, took place at almost the same decade enforced the scattered co-operative ventures throughout the country and made possible the vast expansion of co-operative enterprise which was a feature of the second half of the last century. These three factors are considered here in detail.

(a) New Idealism.

The failure of the Owenite labour exchanges and the trade depression with its consequent hardships in the forties contributed to the social unrest which found expression in the political aspirations of the Chartist movement 'rather than in any revival of the economic utopianism which had lain behind the trade union² and co-operative movements of the earlier thirties'. The rise of the Rochdale Equitable Society in England in 1844 with its new plan was in fact the turning-point in co-operative development. The Rochdale Pioneers³ aimed at improving the social and domestic conditions of the members of their Society by raising a capital of one pound shares and carrying out the following plan:-

- "1. The establishment of a store for the sale of provisions, clothing, etc.

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1. More than 90 co-operative societies were established in the period between 1858 - 95; R. Campbell, op. cit., pp.220 - 221.
 2. Arthur Redford, The Economic History of England 1760 - 1860, p.132.
 3. Among the 28 original members of the Rochdale Equitable Society there were thirteen Socialists, eight Chartists, four Unitarians and one Congregationalist. (From a chart supplied by the Rochdale Co-operative Society, Ltd.).

2. The building, purchasing or erecting of a number of houses, in which those members desiring to assist each other in improving their domestic and social conditions, may reside.
3. To commence the manufacture of such articles as the Society may determine upon, for the employment of such members as may be without employment, or who may be suffering in consequence of repeated reductions in their wages.
4. As a further benefit and security to the members of this Society, the Society shall purchase or rent an estate or estates of land, which shall be cultivated by the members who may be out of employment or whose labour may be badly remunerated.
5. That, as soon as practicable, this Society shall proceed to arrange the powers of production, distribution, education, and government; or, in other words, to establish a self-supporting home-colony of united interests, or assist other societies in establishing such colonies.
6. That, for the promotion of sobriety, a temperance hotel be opened in one of the Society's houses as soon as convenient."¹

These objectives were, in substance, not much different from
²
 Owen's ideals. The fourth and fifth objectives clearly indicate the pioneers' desire of forming "self-supporting home colonies" very much similar to the Owenite Co-operative Villages. But the pioneers' dreams of home colonies were never realised. In fact, by the time that their outstanding success in business became apparent, most of the Owenite influence had been abandoned. Some of these objectives, particularly the last three, were not pursued to any great extent. With the success of the Movement on the business side and with the coming of new members who were

1. G.D.H. Cole, A Century of Co-operation, p.75.

2. Ibid., pp.75-8, also J. Flanagan, op. cit., p. 35.

"uninfluenced by the old Owenite and Christian Socialism", the Co-operative ideals were gradually adjusted by the new leaders. The new philosophy claimed exclusive control by consumers for consumers. This was, in fact, contrary to the beliefs of the Owenite and Christian Socialists who 'held to the old basis of partnership between producers and consumers in the control of the movement'. The results of this struggle between the two elements will be discussed at a later stage, but at the moment it suffices to state that the Co-operative became predominantly, if not entirely, a consumers' movement.

The main ~~change~~ brought about by the Pioneers, was the principle of distributing surplus in proportion to purchases. This was undoubtedly new to Co-operative societies, and found a wide response among the working classes. The recognition of self-interest by means of paying dividend on purchases as the driving motive behind human nature, and the merging of this interest with the public good were the two key points in the new plan. This venture was not an attempt to revolutionise society; indeed, it accepted the economic law of supply and demand as the governing factor in determining prices and wages.

The principle of dividend on purchases was not generally adopted in Scotland until 1860. It was natural for larger

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1. Alexander Campbell claimed that he introduced the system at one of his lectures to Cambuslang Society in 1831, thirteen years before the Pioneers started their store. There is no evidence however, that the system was adopted at any time before the Rochdale Society put it into practice.
 2. Carr-Saunders, Florence and Peers, op. cit., p.39

share-holders in the then existing societies to resent the new system which meant the transfer of profits to another section of the membership.

(b) Legal Recognition.

Early co-operative societies could get legal recognition only under the Friendly Societies Acts, the first of which was George Rose's Act of 1793. Under this Act, societies that desired recognition had to submit their rules to Justices of the Quarter Sessions for approval. Cole mentions that at this period, applicants were subjected to a close scrutiny by Justices of the Peace who suspected all working class associations. A further Act was passed in 1819 which defined the powers of Friendly Societies. This and all previous acts were consolidated by a further Act in 1829, but the position was not improved until 1834 when an amending measure was passed widening the scope allowed to enrolled societies by extending legal recognition to Friendly Societies 'formed for any purpose not contrary to Law'. Under this Act it became possible for trading societies to apply for recognition. The next Act, 1846, included the "frugal investment" clause which improved the status of these trading societies. This Act made it possible for societies to be formed for 'the frugal investment of the savings of the members, for better enabling them to purchase food, clothes, or other necessaries, or the tools or implements of their trade or calling, or to provide for the education of their children or kindred.'¹

1. G.D.H. Cole, A Century of Co-operation, p.118.

But it was not until 1852, as a result of the efforts of Christian Socialists, that co-operative societies were given a legal status as such under the first Industrial and Provident Societies Act; and until then many societies were not registered and had no legal entity. By this Act, co-operative societies could sell to non-members; their shares (subscriptions) were not transferable unless by consent of the board of management; and they could, unlike Friendly Societies, invest their funds freely. The passing of this Act, moreover, did not preclude co-operative societies from the privileges they had secured under the Friendly Societies Acts.

Limited Liability, the basic foundation of modern capitalist enterprise, did not become as easily accessible right for joint stock companies until 1855, when an act was passed to that effect. Before then it was left to the Board of Trade to grant this right to legally recognised joint stock companies - a procedure which was too expensive for the co-operative societies. It was not until 1862 that co-operative societies acquired the right of limited liability under the Industrial and Provident Societies Act. This Act further provided for federal action by the retail societies. A society could, therefore, become a member of another society, and it thus became possible for the Movement to establish its wholesale societies. All Industrial and Provident Societies Acts were consolidated in the 1893 Act and further amended in the 1913 and 1928 Acts. A particular weakness in their provisions was the wide definition given to a society for registration under the Acts. The 1893 Act provided that a society to be registered, must be a

society for carrying on any industries, business or trade specified in or authorised by its rules, whether wholesale or retail, and including dealings of any description with land...'¹

Thus the Registrar of Friendly Societies reports that the words proved sufficiently wide to cover societies 'whose operations were neither co-operative nor otherwise suitable to the Industrial and Provident Societies Acts'.² In 1939, however, important changes were made in the provisions of registration under the Act. A society must be a bona fide co-operative society and its business must be conducted mainly for the purpose of improving the conditions of living or otherwise promoting the social living of members of the working classes. Accordingly we find the Registrar of Friendly Societies commenting on the meaning to be given to the expression 'bona fide co-operative society' which should be taken as the criterion for registration under the Act. A co-operative society must conduct its business as to show that its main purpose is the mutual benefit of its members and that the benefit enjoyed by the member depends upon the use which he makes of the facilities provided by the society and not upon the amount of money which he invests in the society; membership must not be restricted in any way to increase the value of proprietary rights or interests; each member must have one vote only; and capital returns must not exceed a moderate rate approximately equal to the minimum necessary

1. Report of the Chief Registrar of Friendly Societies, Industrial and Provident Societies, p. 24 (1952 Report).

2. Ibid., p. 24.

to obtain such capital.¹ Moreover, the 1952 Industrial and Provident Societies' Act raised the amount which an individual may hold in the share capital of a society from £200 to £500 thus increasing the potentialities of the Co-operative Movement's capital.

At this stage, mention should be made of the position of co-operative societies with regard to taxation under the statute. The 1843 Act exempted Friendly Societies from taxation under Schedule C., i.e. income accruing from ownership of government securities. In 1853 exemption was extended to Schedule D. - income² accruing from the profits of trade. Co-operative societies, however, were not expressly exempted from income tax under Schedule D. until 1862.

(c) Federal Organisation.

The venture of the co-operative retail societies into the field of wholesale trade was one of the important steps, if not the most important, that contributed largely to their success. The first attempt in Scotland was a small scheme started by societies in the Edinburgh area in 1863. After four years of spasmodic running, the scheme proved abortive owing to the weak support it received from the constituent societies and the lack of experience of the directors. In 1865 societies in the Glasgow area discussed the possibility of establishing a wholesale society similar to the one started in the

1. Ibid., p. 25.

2. The Inland Revenue Authorities did not accept the allegation from co-operative societies that this should apply to them on the grounds that they had the same privileges as the Friendly Societies according to the 1852 Industrial and Provident Societies Act. G.D.H. Cole, A Century of Co-operation, p. 121.

North of England in 1863. A conference, which was arranged by the Glasgow Society and its neighbour St. Rollox Society was attended by a number of societies from the West of Scotland. Among its promoters was Alexander Campbell, who did not fail to emphasize the importance of the event both during the meeting and through the 'Glasgow Sentinel', to which he was attached.¹ Nevertheless, it was not until 1868 that the scheme came into being after a proposal to the North of England Wholesale Society, now the C.W.S., to open a branch for Scotland had been rejected. As a result the Scottish Co-operative Wholesale Society Ltd. (S.C.W.S.) started business in 1868 and is now a federation of the retail societies in Scotland. It is run on principles similar to those of the retail societies, particularly the distribution of surplus in proportion to purchases. At the beginning the Wholesale Society was supported by thirty retail societies, but their number increased considerably as the Society established itself in the fields of wholesale trade and production. By the end of the first year, signs of success were apparent and, like most of the retail societies, the Wholesale over-estimated its power in business practice. Owing to the sympathetic attitude of the manager of the Wholesale and the combined interest of many of the retail societies, the S.C.W.S. was persuaded to act as banker to the Scottish Co-operative Ironworks - a producers' society. Loans were advanced to the Ironworks amounting to more than £10,000. The total capital of the Wholesale at that time was approximately £40,000 of which £36,000 was loan capital.

1. See J. Flanagan, *op. cit.*, pp. 52 - 4.

The amount borrowed by the Ironworks was thus in excess of the share capital of the Wholesale. The collapse of the Ironworks in 1875 was, therefore, a serious blow to the S.C.W.S. and a resolution was passed to the effect that 'a penny per pound be taken from dividends to form a fund that would cancel or repay the money overdrawn by the (defunct) Scottish Ironworks Company'. The full amount was repaid by the end of 1879. Two other co-operative producers' societies, the Glasgow Co-operative Cooperage Society (1868) and the Oak Mill Society at Tilllicoultry (1871) failed during the depression of 1879. Co-operative consumers' societies, as well as individual co-operators invested in these ventures. The S.C.W.S. also had substantial sums invested in them. This is strong evidence to show how the Co-operative Movement at that time was still unsettled regarding its aims and objectives. It was not yet clear whether the Movement was exclusively for the consumers or a combination of the interests of producers and consumers alike.

The S.C.W.S. entered the field of manufacture in 1881 by starting a shirt-making factory. This was followed by many other projects - flour mills, woollen factories, blanket mills, aerated water factories, and the like.

The following table shows the progress of the S.C.W.S. until 1900:

Table 1. Capital and Sales of the S.C.W.S.

Year ending	Amount of Capital including shares deposits and insurance funds.	Net Sales	Average dividend	Amount of Production
	£	£	d.	£
Nov.19 1870	12,543	105,250	4 $\frac{3}{4}$...
Nov.17 1875	56,751	430,169	4	...
Oct.30 1880	110,179	845,222	6 $\frac{3}{4}$...
Oct.31 1885	288,946	1,438,220	6 $\frac{3}{4}$	21,705
Dec.27 1890	575,322	2,475,601	7	113,449
Dec.28 1895	1,134,270	3,449,462	7	684,284
Dec.29 1900	1,676,765	5,463,631	8	1,460,307

Source: J. Flanagan, Wholesale Co-operation in Scotland.

The S.C.W.S. was one federal organisation among the retail societies. Other important ventures were the Co-operative Union and the United Co-operative Baking Association. In the sixties, co-operative societies in Scotland and in parts of England are reported to have begun to hold regular conferences only locally organised. These conferences were, in fact, the nuclei of the Annual Co-operative Congresses, the first of which was held in London in 1869. The Co-operative Central Board, established at the same year and later developing into the Co-operative Union, gradually gained support and promoted a local, regional, and central machinery for the discussion of the Movement's collective problems and for giving advice to all co-operative societies. The United Co-operative Baking Society (U.C.B.S.) was another federal society established in 1869 to supply bread to its

constituent societies.

4. Co-operative Employment and Trade Union Organisation.

The position of the Co-operative employee did not become a subject of controversy among co-operative idealists until the Movement ventured into the field of manufacture. Previously co-operative employees were treated merely as wage-earners. Their wages were fixed according to the rates prevailing in the locality and were in most cases left to be determined by the manager of the society. With the appearance of the S.C.W.S., co-operative ideals were much in discussion among the leaders of the Movement. The Rochdale Pioneers had among their aims, it should be remembered, the manufacture of goods for the employment of members who were without work or who might be suffering from low wages. The question of wages seems to have attracted the attention of the S.C.W.S. promoters. They had to pay good wages and had at the same time to compete with private employers who were paying their employees lower wages for longer hours. It appears that the S.C.W.S. paid wages according to locality rates, for in 1870 it was decided that a profit-sharing scheme should be operated to increase the wages which the employee received. This scheme provided that a 'bonus on wages' at a rate double the amount of dividend on purchases to be paid to the employees of the society. Some retail societies followed the practice of the S.C.W.S.¹ The matter was looked upon purely from a financial point

1. J. Flanagan, op. cit., p.80

of view as the bonus was considered an addition to the wages of the employee. It did not become a controversy on a matter of principle until the S.C.W.S. engaged workmen for its production departments. At this time heated discussion was taking place in co-operative circles in England, where sympathisers of producers' societies were claiming without success that productive workers of the English C.W.S. should have a share in the profits they were making. A decision on the matter was reached in Scotland in 1885 when it was decided that the bonus paid to distributive workers should be at the same rate per £ of wages as the rate of dividend paid on purchases, whereas bonus to productive employees would continue to fluctuate according to the amount of profit made in the department where the employee was engaged. A further change was brought about in 1892 when it was decided that bonus was to be paid to all employees (of the S.C.W.S.) at the same rate as the dividend on purchases. In 1893 it was agreed that half the amount of bonus due to the employee should be retained by the society until his employment with the society ceased, when he could withdraw the amount retained. The question of whether the co-operative employee was entitled to a share in the profits was discussed time and time again at the S.C.W.S. quarterly meetings. Advocates of the scheme claimed that the Movement ought to improve the conditions of the producers as well as of the consumers, whereas its opponents considered that the surplus sur-charge be paid by the consumer, and should be returned to the consumer alone. The Webbs were against such an arrangement of profit-sharing which in their view was

impracticable since the price fixed by the wholesale was completely arbitrary and actually depended upon the potential dividend desired. The scheme however, was completely abandoned in 1914 by a decision of a quarterly meeting of the S.C.W.S. Most of the retail societies at that time had ended the payment of bonus on wages to their employees. It does not seem that the scheme brought any appreciable results to the Wholesale. Not all the employees were in favour of its adoption, and when the idea was abandoned there was no significant complaint or resistance. It was arranged that for those already employed with the society payment of bonus should continue according to the year's amount. While new employees were not to receive any payment other than their wages.

Parallel to this arrangement of bonus on wages, another scheme that allowed employees to become shareholders in the society was started by the S.C.W.S. in 1893. Every employee above 21 years of age could become a shareholder by buying not less than five shares and not more than fifty, paying a deposit of one shilling on application, the rest to be paid on instalments. When the employee terminated his employment with the society his shares were to be placed in the transfer list since they could not be held by private members. Employee shareholders were allowed to send delegates to the quarterly meetings of the S.C.W.S. - one delegate for every 150 shareholders. The idea behind this scheme was to stimulate interest among employees of the concern.

Trade union organisation among the distributive trades was in the early days greatly influenced by developments of labour

relations within the Co-operative Movement. The weakest spot in the trade union movement towards the end of the nineteenth century was to be found among distributive employees, a fact which could be attributed to the relatively small unit of operation obtaining in the distributive trades, in which only a small number of employees worked together under one roof. There was little chance of effective combination, unlike the case of industrial undertakings or coal mines. This weak organisation resulted in appallingly low wages and long working hours in the retail trade. Conditions in co-operative shops were not much different from those in private trade shops although it was known that co-operative societies had always agreed to early closing and, perhaps in fewer cases, to a weekly half holiday. The rapid and wide expansion of trade unionism throughout the last two decades of the nineteenth century influenced distributive workers. Moreover, the presence of strong trade union enthusiasts on the management committees of the retail societies, and in the quarterly meetings of the wholesale, contributed strong moral support to co-operative employees in their efforts to organise themselves. While these attempts to form their own trade unions were beginning to show results, contact between the Co-operative and the Trade Union Movements was more firmly established when a joint committee consisting of representatives of the Trade Union Congress and the Co-operative Union was set up in 1882. The object of this committee was to 'promote mutual understanding and to further co-operative production'.¹

1. Maurice Hann, *British Trade Unionism Today*, by G.D.H. Cole, p. 1.

This committee later became a Board of Arbitration, though its decisions were not binding on either of the parties.

Several isolated attempts were made at organising distributive employees, first in the form of benefit societies and later on a trade union basis. The National Union of Shop Assistants which was formed in 1891 with headquarters in London, extended its influence to some parts of Scotland and enrolled both co-operative and private trade employees. It had a dual purpose - namely, to promote the early closing of all shops and to secure for the retail trades a universal weekly half-holiday.¹ In the same year another association was formed in the North of England which later (1895) became the Amalgamated Union of Co-operative Employees (A.U.C.E.) covering all Britain. In 1898 the National Union of Shop Assistants amalgamated with a rival body, the Shop Assistants Union, and then became the National Amalgamated Union of Shop Assistants, Warehousemen and Clerks (N.A.U.S.A.).

Co-operators before this time were unaware of the discreditable conditions prevailing in their shops. Demands for better conditions and higher wages were put forward by co-operative leaders. For example, William Maxwell, then President of the S.C.W.S. appealed to the Co-operative Congress of 1893, showing that 93.5 per cent of the societies (in the United Kingdom) were open for business for more than sixty hours per week and 43.4 per cent open for more than sixty-six hours per week. He pleaded for better treatment of the co-operative employee.

1. P.C. Hoffman, They also Serve.

The line of policy followed by each of the two trade unions for the improvement of employment conditions of their members was somewhat different. N.A.U.S.A. preferred a policy of securing legislative protection for shop workers, and succeeded in having shop assistants brought within the scope of the Truck Act of 1897¹ and the Workmen's Compensation Act of 1906. It was also by virtue of efforts made by N.A.U.S.A. that the Young Persons (Employment) Act of 1938² was passed by Parliament. This Act provided for a 48 hour week for shop assistants under eighteen years of age and included several other regulations for the improvement of working conditions inside shops. The growth of the power of the A.U.C.E. in enrolling co-operative employees encouraged it to adopt a rather militant policy of strikes and threats against the Co-operative Movement. At first it was satisfied to put forward a claim for a minimum scale of wages for co-operative employees of both sexes, and in this it was supported by the Co-operative Women's Guild, whose leaders were particularly interested in a minimum scale for women employees. In 1908 a scale prepared by the Co-operative Union in consultation with the trade unions concerned and the Women's Guild, was finally agreed upon by the Co-operative Congress. The A.U.C.E. began to extend its scope by enrolling all co-operative employees, without regard to their trade. This entailed many demarcation disputes between the A.U.C.E. and other craft unions such as bakers and tailors who objected to

1. G.D.H. Cole, A Century of Co-operation, p. 340

2. P.C. Hoffman, They also Serve, p. 15.

the idea of an exclusive union for co-operative employees. The matter was brought before the T.U.C. with the result that the A.U.C.E. was expelled from the Congress in 1915. This, however, encouraged the A.U.C.E. to continue its aggressive policy against co-operative societies. Sometimes it even tried to adopt a closed shop policy wherever it found enough support from the employees. It demanded that wages should be determined by collective bargaining between the management committees of the societies and the trade union officials; that conditions of employment for commercial employees should be levelled up to correspond more closely with those obtained for engineers, carpenters, and cotton spinners; that remuneration to the co-operative employee should yield him more than a living wage; and that co-operative enterprise should be jointly¹ controlled by associations of producers and consumers.

Conditions in co-operative employment were undoubtedly affected by this campaign. The adoption of the minimum scale referred to above did not become universal among co-operative societies, wholesale and retail, until ten years after its inception. It has inevitably added a considerable amount to the co-operative wages bill and although co-operators were sympathetic towards the union's claim for better wages, they urged that the societies should not be asked for wage scales higher than those demanded from private trade shops. This, they pointed out, gave an undue advantage to their competitors who were paying lower wages. With regard to the trade union's claim

1. S. & B. Webb, op. cit., pp. 198 - 9.

for a share by employees in the management of co-operative enterprise, co-operators have insisted, in the main, on retaining their right of control.

At this stage, in order to complete the sequence of events, it is necessary to mention that the A.U.C.E. amalgamated with the National Union of Warehousemen and Clerks in 1921 and became the National Union of Distributive and Allied Workers (N.U.D.A.W.). This amalgamation solved the dispute between the A.U.C.E. and the T.U.C., and demarcation disputes between the former and other craft unions were largely avoided by agreement.¹ Several attempts were made to effect amalgamation of N.A.U.S.A. and N.U.D.A.W. notably in 1916, 1926, and 1936, but amalgamation of N.A.U.S.A. and N.U.D.A.W. did not take place until 1947 and it is now called the Union of Shop Distributive and Allied Workers (U.S.D.A.W.)

It remains to be said that organisation among co-operative managerial officials has taken place since the early years of this century. In Scotland a Co-operative Managers' Association was formed in 1908 as a result of a meeting sponsored by the Scottish Section of the Co-operative Union. This Association, as a professional institution demanded certain standards of education and instituted examinations to be held by the Co-operative Union for potential managers. In its meetings it discussed current managerial problems such as price control, sales promotion and relations between manager and committee of management. In 1911 it

1. Ellen Wilkinson, Trade Unionism in the Co-operative Movement, G.D.H. Cole, British Trade Unionism Today, p.469.

joined a similar association in England and became the National Co-operative Managers Association. In 1917 as counteraction to an attempt made by the A.U.C.E. to enrol co-operative managers, a trade union was formed, which embraced all co-operative officials, secretaries, managers, accountants and cashiers, and is now the National Union of Co-operative Officials, N.U.C.O., which deals with wages and salaries and conditions under which officials are employed.

The Structure of the Co-operative Movement

C H A P T E R 11

PART TWO RETAIL SOCIETIES - A GENERAL SURVEY

1. Membership

The retail society is the basic foundation of the Co-operative Movement in Scotland. A consideration of the size of membership of the retail societies is pertinent as indicating the relative strength of the Co-operative Movement. In 1931 there were 125 retail Co-operative societies in Scotland, with a total membership of 1,255,364. This does not mean that all such members are active loyal co-operators but, undoubtedly, they are concerned in one way or another.

The Structure of the Co-operative Movement one group of members may purchase all their household requirements from the Co-operative shop; another group may buy only their food supplies or even some of these supplies. Further, one group may give their active and loyal political support; and still another, although their number is small, may regard the Co-operative Society as only a safe investment project. It is in this light that the membership of the retail societies must be considered.

Although this figure indicates the total number of shareholding members of the retail societies, it does not represent the actual number of members actively purchasing from Co-operative societies. Certain qualifications have to be borne in mind when using membership figures as such. These usually arise where a person becomes a member of more than one retail society i.e. holds

1. This figure included 100,000 retail branch areas of the S.O.W.S. Co-operative Statistics for 1931, p.7.

C H A P T E R 11

THE RETAIL SOCIETIES - A GENERAL SURVEY

1. Membership

The retail society is the basic foundation of the Co-operative Movement in Scotland. A consideration of the size of membership of the retail societies is pertinent as indicating the relative strength of the Co-operative Movement. In 1951 there were 196¹ retail Co-operative societies in Scotland, with a total membership of 1,255,384. This does not mean that all such members are active loyal co-operators but, undoubtedly, they are connected in one way or another with the Co-operative cause. For example, one group of members may purchase all their household requirements from the Co-operative shop; another group may buy only their food supplies or even some of these supplies. Further, one group may give their active and loyal political support; and still another, although their number is small, may regard the Co-operative Society as only a safe investment project. It is in this light that the membership of the retail societies must be considered.

Although this figure indicates the total number of shareholding members of the retail societies, it does not represent the actual number of members actively purchasing from Co-operative societies. Certain qualifications have to be borne in mind when using membership figures as such. Cases usually arise where a person becomes a member of more than one retail society i.e. holds

1. This figure includes fourteen retail branch areas of the S.C.W.S. Co-operative Statistics for 1951, p.7.

dual membership. Furthermore, there is what is sometimes termed 'open membership', the case of more than one member of the same family joining the local Co-operative society. Again it happens that ^aperson, through old age or for similar reasons, may cease to make his own purchases (he may get his supplies through a relative), but he may still keep his registration number with the society for investment purposes. Although there is a common rule which provides for the expulsion of non-purchasing members, i.e. those whose purchases do not reach a certain amount, societies generally ignore this rule, since such members are generally among the high investors in the society's funds. For such reasons membership figures, when used for statistical comparisons should be considered carefully. It has been estimated, however, that between ten and twenty per cent of the total membership in the U.K. are non-purchasing members.¹ There is a common belief that membership figures in Scotland are not affected to such an extent by open or dual membership as in other parts of the British Isles.

Membership of Co-operative retail societies in Scotland has increased from 301,626 in 1901 to 1,255,384 in 1951.² It has more than quadrupled in fifty years. Yet, from an examination of membership figures in the United Kingdom as a whole, one will notice that the increase has been more spectacular in the United Kingdom than in Scotland alone. Table 2 shows the development in membership during the period 1901 - 1951. In the United Kingdom, Co-operative

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1. J.A. Hough, A Guide to Co-operative Statistics, Journal of the Royal Statistical Society, Vol. CXIII Part II, p.245, 1950.
 2. Co-operative Statistics, op. cit., 1951

membership has increased six-fold. Expressed in index numbers Co-operative Membership in the United Kingdom was 148 in 1911 and 254 in 1921 (1901 = 100), while in Scotland the corresponding figures were 135 and 220 respectively. Since then greater progress has been made in the United Kingdom, where membership increased to 368 in 1931 and 615 in 1951, against Scottish figures of 258 and 415 respectively. The pace of increase in membership was about uniform until 1921, but since then aggregate figures for the United Kingdom show greater progress than those for Scotland.

Table 2. Membership of Retail Societies

Figures expressed as index numbers based on 1901

<u>Year</u>	<u>Scotland</u>	<u>United Kingdom</u>
1901	100	100
1911	135	148
1921	220	254
1931	258	368
1951	415	615

Sources: Co-operative Statistics for 1938 and 1951

This is due to the fact that there were still many fields open for the establishment and expansion of Co-operative societies in the Midlands and the South of England, while in Scotland, Co-operative Enterprise had been generally accepted throughout the industrial part of the country by that time.

The same tendency is observable from an examination of the

relationship between membership and population figures. Tables 3a and 3b show the membership and population figures for both Scotland and the United Kingdom for the Census years 1901 - 1951. In the last column of Table 3b the Scottish percentage is related to the U.K. percentage to show what may be called the penetration ratio. This ratio has gradually declined from 156 in 1901 to 143 in 1921, and from that there was a sharp decline to 117 in 1931 and 113 in 1951. Thus the more favourable position of the Scottish Movement in the first two decades has been practically equalled by the British Movement in the latter part of this half-century.

Table 3a. Population and Membership in Scotland

Year	Population	Membership	% of members to population %
1901	4,472,103	301,626	6.7
1911	4,760,904	406,520	8.5
1921	4,882,497	662,885	13.6
1931	4,842,554	759,962	15.7
1951	5,095,969	1,255,384	24.6

Sources: Co-operative Statistics and Census of Population.

Table 3b. Population and Membership in United Kingdom

Year	Population	Membership	% of members to population	Penetration ratios Scotland to United Kingdom
1901	41,513,483	1,785,072	4.3	156
1911	45,273,611	2,640,444	5.8	144
1921	47,792,253	4,548,557	9.5	143
1931	49,161,437	6,590,020	13.4	117
1951	50,211,602	10,929,336	21.7	113

Source: Co-operative Statistics and Census of Population

A further pointer to the actual increase in membership figures can be indicated by considering the changes which occurred in the actual rate of increase during the period under consideration. Table 4 shows the annual average rate of increase in ten yearly periods from 1901 to 1951 and the annual rate of increase from 1946 to 1941. It will be noticed from the table that the rate of increase has not been regular throughout the period. Starting at 3.01 per cent in the first decade, 1901-11, the rate has increased to 5.0 per cent during the following ten years. Then there was a decline to 1.37 per cent, followed by an increase to 2.54 per cent during the twenty years 1931-51. This follows the general trend of membership development as analysed by J.A. Hough, who suggests that the decline after 1921 can be attributed to a general "clearing up" of membership registers

which had fallen into some neglect in the years of the 1914-18 War.¹ The same reason can be put forward for the decline in the rate of increase in 1948 following the last World War. Taking the fifty years together, the average annual rate of increase in membership has been 2.89 per cent, whereas during the last five years the average rate is only 1.67 per cent. This indicates a general decline in the pace of progress, ignoring for the moment the effect of dual and joint membership, which, being a recent development, would further decrease the latter figure. This decline, however, is understandable. Notwithstanding the steady progress of the Movement there is a limit beyond which it can hardly enrol new members. In other words, there is a diminishing possibility of embracing new members. The Movement, for instance is not as popular among the higher-income groups as it is among the working classes. Moreover, the progress that the Movement can make depends largely upon the availability of new fields for its further expansion.

1. J.A. Hough, p.18.

Table 4. Co-operative Membership in Scotland

Year	Members	Annual rate of increase %	Average rate of increase %	1	Year	Members	Annual rate of increase %	
1901	301,626	-			1946	1,155,300	-	
1911	406,520	3.01			1947	1,190,195	3.02	
1921	662,885	5.00			1948	1,179,766	0.88 ²	
1931	759,962	1.37			1949	1,218,191	3.26	
1951	1,255,384	2.54			1950	1,240,261	1.81	
					1951	1,255,384	1.22	
Annual rate of increase during fifty years				2.89	Annual rate of increase during five years			1.67

Sources: Co-operative Statistics for the years indicated.

1. Average rate of increase is computed by the formula:-

$$Y_n = Y(1+x)^n$$

Y = membership in base year

Y_n = membership in year at the end
of the period

x = annual rate of increase.

2. In this year there was a decrease in the membership of S.C.W.S. retail branches, of 30,766.
Co-operative Statistics for 1948, p.437.

2. The Size of the Retail Society.

There is a fairly wide diversity in the size of Co-operative societies in Scotland. They range from the small village society with a few hundred members, to the large urban city society, with

a membership well over fifty thousand. The variety in size, however, is far much diverse in England than it is in Scotland. For example, the London Co-operative Society had a membership of over one million in 1951. The largest retail society in Scotland, St. Cuthbert's Co-operative (Edinburgh) had in 1951, 91,682 members. The distribution of societies according to the size of membership is shown in Table 5. In Scotland 22.4 per cent of the membership belong to societies having less than 5,000 members. It will be noticed from Table 6 that the corresponding percentage for the United Kingdom is 10.4 only. Moreover, the Scottish Movement has 18.9 per cent of its members in societies having 50,000 or more members, whereas, 44.7 per cent of the membership in the whole of the United Kingdom belong to that group of societies. On the whole, the Movement's proportion of members which belong to the lower size groups is higher in Scotland than in the U.K. and vice versa.

Table 5. Retail Distributive Societies in Scotland arranged according to membership in 1951

Size of Society members	No. of members	No. of Societies	% of total membership of all retail societies
50,000 and above	237,759	3	18.9
20,000 - 50,000	314,388	12	25.1
10,000 - 20,000	190,951	14	15.2
5,000 - 10,000	231,548	34	18.4
Under 5,000	280,738	133	22.4
Total	1,255,384	196	100.0

Source: Co-operative Statistics for 1951.

Table 6 Retail Distributive Societies arranged according to membership in 1951

Size of Society members	% of total membership of all retail societies	
	Scotland	United Kingdom
50,000 and above	18.9	44.7
20,000 - 50,000	25.1	21.8
10,000 - 20,000	15.2	13.2
5,000 - 10,000	18.4	9.9
Under 5,000	22.4	10.4
Total	100.0	100.0

Source: Co-operative Statistics for 1951.

It can be said, therefore, that the size of the average society tends to be larger in the case of the United Kingdom than in Scotland alone. The reason for this difference is the development of very large societies in the industrial parts of the South of England, such as the London Society already mentioned, and the Royal Arsenal and the South Suburban Societies, with more than 200,000 members each. Co-operative development, being fairly recent in that part, there has been a tendency for the size of society to be large rather than medium or small.

Discernible in Scotland is a general tendency towards an increase in the size of societies, as will be noticed from the following table.

Table 7. Retail Distributive Societies in Scotland
arranged according to membership

Total membership was 436,119 in 1914 and 1,255,384 in 1951.

Size of Society members	% of total membership of retail societies	
	1914	1951
60,000 and above	--	18.9
20,000 - 50,000	14.6	25.1
10,000 - 20,000	7.5	15.2
5,000 - 10,000	23.0	18.4
Under 5,000	54.9	22.4

Source: Co-operative Statistics for 1914 and 1951.

More members are becoming concentrated in larger societies. In 1914 more than half the total number of members belonged to societies having not more than 5,000 members. Three quarters of the members belonged to societies having less than 10,000 members. In 1951 this size of society had only two-fifths of the members. The number of retail societies has decreased by 94 in fifty years, while the number of members during the same period has quadrupled. The decrease in the number of societies is partly due to the failure of some units, especially during the earlier part of this century; but a more significant reason is the amalgamation of societies in neighbouring and/or overlapping areas. A striking example of this phenomenon is shown in the history of what is now the East Lothian Society, with a membership of 14,646 in 1951. This is an aggregation of no fewer than five Co-operative units -

all located in the administrative county of East Lothian - whose nucleus was the Tranent Society, established in 1862. The Cockenzie Society, established two years later, joined the Tranent in 1876. More recently, the 1867 Haddington Society was added in 1936; finally, in 1939, the West Barns Society of 1874 followed suit with its much younger neighbour of Dunbar, which only dates from 1912.¹

This tendency towards an increase in the size of the retail society suggests some important implications. More members are becoming concentrated in fewer societies. In 1951 out of 196 retail societies, 30 embraced more than 60 per cent of the members and the largest fifteen societies had 44 per cent of the membership.² Three of these societies had among them twenty per cent of the total number of members - St. Cuthbert's (Edinburgh) with 91,682 members, Glasgow South with 76,325 members, and North Aberdeen with 69,752 members.³ These societies which have gradually grown to their present magnitude, have their problems of internal organisation as well as of external relations. Moreover, the larger society with its ever growing power in membership and trade is becoming more important and consequently is exerting a more effective influence in directing the general policy of the Movement. This, however should not divert attention from the

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1. The Third Statistical Account for Scotland, The County of East Lothian, p. 54.
 2. See Table 5.
 3. Co-operative Statistics for 1951, op. cit., pp.88, 90, and 92.

smaller society which is facing new problems with the changing set-up of the Movement.

3. The Scottish Societies - A Geographical Analysis^I

Under this section an attempt has been made to give a clearer view of the setting of the 196 retail societies in Scotland with regard to their location, size, trade and other relevant characteristics. The Co-operative Union's administrative classification of Scotland into eleven districts will be regarded as a suitable basis for our analysis, since with the available statistics it makes possible a comparative statistical study of each district. The eleven districts are situated as follows:-

1. Ayrshire District: the county of Ayrshire.
2. Border Counties District: the counties of Berwickshire, Roxburghshire, Selkirkshire and a part of Peebles-shire.
3. Central District: the county of Lanarkshire excluding the Glasgow area.
4. East of Scotland District: the three Lothian counties.
5. Falkirk District: the south-western corner of Stirlingshire.
6. Fife and Kinross District: the counties of Fife and Kinross.
7. Glasgow and District: the Glasgow area and the whole of the county of Dunbartonshire.
8. North Eastern District: the counties of Perthshire, Aberdeenshire, and all the North of Scotland including the Western Islands.
9. Renfrew District: the county of Renfrewshire.
10. Southern District: the counties of Wigtownshire,

I. A map has been drawn to indicate the location of retail societies, their branches, and the districts in which they are situated. See pocket inside cover.

Kirkcudbrightshire and Dumfries-shire in the South of Scotland

11. Stirling and Clackmannan District: the counties of Clackmannanshire, Argyllshire and part of Stirlingshire.

A glance at the Co-operative map of Scotland clearly shows a concentration of Co-operative societies in the industrial and mining areas, particularly in the central industrial region. In the South of Scotland, in the Border counties, and to a less extent in the South-western area, a dispersal of societies is noticeable. North of the Clyde belt there is a gradual decline in Co-operative activity until one reaches the Western Highlands, where the need for Co-operative development becomes obvious. This gradual decline in Co-operative prosperity from the central region both northwards and southwards has an historical significance. The Co-operative Movement originally sprang up among the industrial and mining communities which were mainly in the centre. Moreover, this region has been, and still is, the most flourishing part of the country in economic activity. It is obvious that the Co-operative map follows largely the distribution of population in Scotland. There is no doubt that the economic circumstances governing the movement of the population have their influence on the prosperity of Co-operative enterprise, which in its development depends upon the economic well-being of the local inhabitants. The central industrial region, according to the 1951 Census, had more than ¹ 65 per cent of the population of Scotland. In the last fifty years this region has been responsible for the whole of the increase in Scotland's population. Moreover, the slow development of

1. The Census of Population for Scotland, Preliminary Report 1951

Co-operation in the Highlands is attributed to the wide extent of sparsely populated areas in that part of the country. The following table shows the distribution of both the membership and the population in Scotland within the eleven districts. It will be noticed that the best district is Fife and Kinross where there is a Co-operative member for every 2.8 members of the population. Renfrewshire, Falkirk, and the East of Scotland districts come next in their ranks.

Table 8. Population and Membership in Scotland

District	Population	Membership	Number of Population for every Co-operative member.
1. Ayrshire	321,184	86,103	3.730
2. Border Counties	95,042	23,927	3.970
3. Central	500,345	119,182	4.198
4. East of Scotland	719,092	201,015	3.577
5. Falkirk	187,432	56,406	3.322
6. Fife and Kinross	314,273	110,874	2.834
7. Glasgow	1,278,043	272,417	4.691
8. North East	874,804	206,527	4.236
9. Renfrew	324,652	106,514	3.048
10. Southern	148,023	27,743	5.335
11. Stirling and Blackmannan	333,079	44,676	7.455
Total	5,095,969	1,255,384	4.060

Sources: Col. 2, estimates made out and supplied by the Co-operative Union Limited, Col. 3. Co-operative Statistics for 1951.

The worst district in this respect is 'Stirling and Clackmannan', where the ratio of membership population is as low as 1/7.5. In the latter district there are thirteen retail societies, eleven of which have a membership of less than four thousand each. The two largest societies in the district are Stirling (11,188 members) and Alloa (10,832 members). All thirteen societies are scattered in the county of Clackmannan and part of Stirlingshire; there is a wide area without a Co-operative shop. The S.C.W.S., however, deserves credit for the relatively better position held by the North Eastern district, which comes eighth in membership representation among the population. The S.C.W.S. has established eleven retail branches in this district with a membership of 64,079, or well over thirty per cent of the membership of the district. It becomes clear from the above that highly industrialised areas, such as the Glasgow district, are by no means the strongest Co-operative centres. Competition from other forms of distribution no doubt plays an important part in this regard. Co-operative societies in smaller towns and in villages have a stronger grip on retail trade and consequently appeal more to the consumer, more strongly than in big trading centres.

An interesting feature is noticeable in comparing the area covered by societies in the various districts: as one gets further from the Central and Falkirk districts, the area that a society covers by its branches generally becomes larger.¹

1. See Map. The same phenomenon obtains in England as one travels from north to south - Carr-Saunders, Florence, and Peers, op. cit., p. 67.

The following are examples:-

1. The West Calder Co-operative in the East of Scotland district has branches at Blackburn, East Calder, Forth (distance 10 miles)¹, Livingston Station, Mid Calder, Philipstoun (distance 13 miles), Stoneyburn, Pumpherston, Tarbrax, and Uphall.
2. Perth Co-operative Society has branches at Almondbank, Bankfoot Dunkeld, (distance 15 miles), Scone, and Stanley.
3. Hawick Society in the Border Counties district has branches at Liddesdale, Lilliesleaf and Riccarton Junction (distance $13\frac{1}{2}$ miles).
4. Dumfries & Maxwelltown Co-operative Society in the Southern district has branches at Carronbridge (distance 15 miles), Castle Douglas, Creetown (distance more than 40 miles), Dalbeattie, Ecclefechan, Gatehouse-of-Fleet, Kirkcudbright, Lochmaben, Lockerbie, New Galloway, and Thornhill.

This phenomenon may be attributed to the fact that branching out is both unnecessary and impossible for societies located in areas already well covered by Co-operative enterprise. Co-operation had a strong hold in the centre of Scotland well before the turn of the nineteenth century. In other parts there has not been so much development, and older societies or newly-established ones could extend their activities over wider areas. The attempt of societies to branch out, nevertheless, gives rise to many disputes between neighbouring societies as to the boundaries within which they may enrol members. This problem will be further discussed in the

1. This is the distance between the branch and the town where the head office is located.

next section.

Despite this tendency for a larger area, however, one does not notice any concentration of large or small societies in any of the districts, except of course, that large societies are, as would be expected, found in the large urban centres, such as Glasgow, Edinburgh, and Aberdeen. Table 9 shows clearly that there is a fairly general distribution of societies of all sizes among the eleven districts. Three districts, the Border Counties, the Southern, and Stirling and Clackmannan, do not include societies with more than 20,000 members.

Table 9. Classification of Societies
by size in the various districts

<u>District</u>	<u>Societies</u>					<u>Total</u>
	Members below 5,000	5,001- 10,000	10,001- 20,000	20,001- 50,000	50,001- 100,000	
Ayrshire	21	2	-	1	-	24
Border Counties	6	2	-	-	-	8
Central	27	3	2	1	-	33
East of Scotland	6	3	3	1	1	14
Falkirk	11	2	-	1	-	14
Fife & Kinross	12	7	1	1	-	21
Glasgow & district	7	3	3	4	1	18
North Eastern	16	7	2	1	1	27
Renfrew	8	5	-	2	-	15
Southern	7	-	1	-	-	8
Stirling & Clackmannan	12	-	2	-	-	14
Total	133	34	14	12	3	196

Source: Calculated from Co-operative Statistics for 1951.

Within this geographical analysis one may, however, attempt to classify the retail societies into a number of groups, each of which constitutes a specific type of society. Undoubtedly each society has, through its long history, developed its own autonomous identity, but nevertheless, the following criteria may be taken into consideration here:-

The area that a society covers, whether in one town or a number of towns,
the economic surroundings of the society, whether industrial or agricultural, ^{and}
the internal identifications of the society, its size, members and the like.

On these lines one can roughly classify the Scottish societies into the following types¹-

(1) The small village society: This is the typical small

Co-operative society that preserves its original identity and confines itself to the village and to the group of people where it was originally established. Its membership comes from all strata of the population - workers, industrial or agricultural, land-owners and perhaps shop-keepers.

Membership of this type usually ranges between one to five hundred. The society generally has one or in exceptional cases, two shops. Loyalty among the members to their society is strong. For example, one society in this group had in 1951 an average sales per member of £211.8. There are, in Scotland

sixteen societies of this type with a total membership of

1. Information about the retail societies, their branches and the services provided, is obtained from the Co-operative Directory. The Scottish Gazetteer has been consulted for the no. of population and the main occupation in the towns and villages of Scotland where Co-operative shops operate.

5,388. Eight of these sixteen societies were in the Central district.

- (2) The small industrial town society: Forty-two societies in Scotland are confined to small industrial towns, with a membership ranging from one to five thousand, the society having more than one branch in the town. There are societies of this type in all the eleven districts in Scotland. Ayrshire district, in which twenty-four societies operate, actually contains eleven societies of this type. The internal identity of the society is not much different from the previous group, loyalty of the members being a distinctive feature.

Five societies located in holiday centres may be classified with this type of society.

- (3) Societies which cover a few neighbouring industrial sites:

This is a further development of the previous type. The society here extends its area over a number of neighbouring towns, perhaps three or four, with a membership varying from two to eight thousand. Societies of this kind may undertake consumer services, such as boot-repairing, besides their distributive activities. This type of society is perhaps the most widely spread in Scotland. More than eighty societies are located in the various districts as follows:-

Central district	includes 16 societies		
Fife & Kinross district	"	16	"
Ayrshire	"	10	"
Glasgow	"	9	"

Falkirk district	includes	8	societies
East of Scotland district	"	7	"
Stirling and Clackmannan	"	7	"
Other districts	"	9	"
Total		82	

- (4) The 'Industrial Area' society: This is the type of society that covers the whole of an industrial or mining area, with perhaps one large town in its centre. The society's branches are spread all over the area with its headquarters located not necessarily in the largest town, but where the society was originally established. A society of this kind usually has well over fifteen thousand members. The society may be the result of a number of amalgamations between smaller societies in the area. Fifteen societies of this kind are spread over the industrial districts of Scotland. Four societies are in the Central district, while both the East of Scotland and Glasgow districts contain three such societies in each.
- (5) The 'Agricultural District' society: This is the type of society that is situated in an agricultural district with its headquarters usually in the central marketing town. The society establishes branches in the neighbouring towns and villages. There is a wide diversity in the size of the society of this type, which ranges from a few thousand to more than twenty thousand members. North Aberdeen society, which belongs to this group, had a membership of 69,752 in 1951. Eleven societies of this type

societies of this kind are in Scotland, mainly in the North Eastern district.

- (6) The large urban city society: This is the society that serves a large urban city and its suburbs. The society has its branches throughout the town, mainly in the working-class districts. Membership ranges from twenty to ninety thousand. Societies of this type are found only in Glasgow and Edinburgh, the two largest towns.

<u>Number of Members in 1951.</u> ¹		
Glasgow South	Co-operative	76,325
" St. George	"	25,312
" Eastern	"	24,646
St. Cuthbert's (Edinburgh)	"	91,682
Leith	"	30,547
Total Membership		248,512

4. Competition between the Retail Societies

Towards the end of the last century, as has already been mentioned, many societies were established in the industrial towns and villages of Scotland. Wherever a handful of workers saw the need for having their own store, a Co-operative society was formed. As the society succeeded in business it began to expand and accreted members from neighbouring streets and villages, until its influence

1. Co-operative Statistics for 1951, pp. 88 and 90.

reached the edge of an area already served by an older society which then resented the expansion of a growing society in its traditional district. Disputes also arose between societies when the members of one society moved to a new housing estate where another society had already acquired premises. Following-up of members is not a rarity in Co-operative trading practice.

'An axiom of the Movement', it has been said, is 'one area -
¹ one society'. The Co-operative Union has always acted as a conciliator between Co-operative societies in this matter, though it has not always been accepted in this capacity. The matter was raised once and again at district and sectional conferences, and a standing resolution which was passed by the Scottish Annual Conference in 1936 reads, 'that the rules of societies should be altered to prevent their opening shops and conducting business outside their areas without the consent of the Co-operative Union and neighbouring societies'.
² The resolution, however, did not have any effective result either in changing the rules of societies or in avoiding disputes. From a look at the Co-operative map in Scotland one can easily notice that there are many cases in which more than one society operates at the same town. There are in
³ fact about twenty-five cases of this nature in Scotland. Of these twenty-five there are nine cases in the Central district and six in the Fife and Kinross district. The traveller in Lanarkshire and the neighbouring districts can easily notice that shops of two or

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1. A.M. Carr-Saunders, P.S. Florence, and R. Peers, op. cit., p.63.
 2. Report of the Scottish Board to the Co-operative Congress, 1936.
 3. See Appendix.I p.363.



or three different societies operate in the same street. It is obvious that as the density of societies diminishes there is less likelihood of such overlapping between neighbouring societies. Therefore, we do not find such cases in the Border Counties, the Southern, the North Eastern, or the Stirling and Clackmannan districts.

The Co-operative Movement's policy has aimed at eliminating the evil of overlapping between retail societies by bringing about the amalgamation of societies operating in the same area. But this policy has not been enthusiastically accepted by all societies concerned. Thus we find the Economic Survey Committee in 1938 pointing out that 'often the problem of overlapping and of competition has been allowed to continue until one or more of the societies has found itself in economic or financial difficulties and the merging with another society has been the only remedy to it'.¹ The failure of amalgamation schemes may be attributed to the unwillingness of the members to lose their local identity; to their doubts as to the effect of the new society on the amount of dividend; to their desire to keep a close control on their society; and to the employees' fears as to its effect on their employment. Often the last factor has been an obstacle to amalgamation schemes where the employees could exert their influence on the matter through their voting power in the general meeting which has the final decision.

1. Co-operative Congress Report, 1938, p. 82.

The Co-operative Movement is, unfortunately, over-conscious of the evils of overlapping and competition between neighbouring societies. According to the Webbs¹ the Co-operative Movement has found by experience that competition among retail societies does not result in any increased efficiency. This belief has been gained as a result of the usual practice of competing societies, which always resort to some unwise device that brings speedy ruin to their business. In the ordinary sense competition ought to result in increasing efficiency and better service to the consumer. What happens in practice, however, does not fully confirm this theory, at least not on a short-term view. Co-operative societies, when competing among themselves for members and trade, are tempted to raise the rate of dividend or offer generous credit facilities, even at the expense of sacrificing the quality of goods they provide or some of the principles for which they stand. Such societies are usually forced to distribute profits which are not really gained, i.e. by reducing the amount of depreciation they should deduct from the gross surplus, thus showing a higher amount of net surplus, with the result that after some time the society finds itself in serious difficulty, financially. The ordinary consumer, who is economically ignorant, in most cases is unable to see the evils of this policy and may be attracted by the high rate of dividend or the credit facilities offered by one of the competing societies,

1. S. & B. Webb, op. cit., p.322.

which may not necessarily be the most efficient. One of the competing societies, therefore, gradually becomes involved in financial troubles, and ultimately finds itself forced to go into liquidation or hand over its business to a neighbouring society. Competition therefore, does not, in the long run, eliminate the inefficient. For according to the above the most efficient society is forced either to lose trade or resort to some unwise decision such as increasing unjustifiably its dividend rate, and that leads ultimately to its ruin.

Fortunately the consumer nowadays is less ignorant than he used to be in pre-war days. Qualities of goods, particularly grocery and food, can be easily tested and judged by the ordinary housewife and the dividend, as will appear from the case studies, in Chapter 3, has lost some if not most of its attraction. Competition between societies may therefore lead to a genuine reduction in prices, better service and increasing efficiency.

5. Trade of the Retail Societies

In 1951 the total sales of the retail Co-operative societies in Scotland amounted to £113,362,632, making an average per member of £90.30. Scotland has traditionally had a higher average of sales per member than that for the British Movement as a whole. The average for the United Kingdom in 1951 was £60.75. It is sometimes suggested that the higher prices alleged to be charged by the Scottish societies in order to yield higher dividends contributed to the comparatively high sales per member. Yet,

when we deduct the amount of net surplus from total sales in order to eliminate the effect of higher prices, if prices are at all higher, we find the average per member for Scotland is £81.75 which is still higher than that for the United Kingdom which now becomes £56.71.¹

Table 10. Trade of the Retail Societies in 1951.

	Scotland £	United Kingdom £
Sales	113,362,682	663,908,339
Net surplus excluding share interest interest	<u>10,738,338</u>	<u>44,102,537</u>
Net amount of Sales	102,624,344	619,805,802
Net Sales per member	81.75	56.71

Source: Co-operative Statistics for 1951.

In comparing sales of societies in the various size groups, as Table 11 shows, it will be noticed that no generalisation can be made as to the relation between the size of the society and its average sales per member. The Co-operative Economic Survey Committee of 1938 reached the same conclusion. Nevertheless, if we eliminate the exceptional cases, we get a different picture altogether. In Figure 1 (p. 59), the black line represents the position as it is in Table 11 whereas the dotted line represents the position after eliminating the exceptional cases as follows:-

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1. In considering the development of trade per member, the qualification already mentioned about membership figures must be borne in mind. No definite adjustment however can be made.

1. Owing to their special circumstances, S.C.W.S. Retail branches have a lower average sales per member than societies with the same size of membership.

Table 12. Trade in S.C.W.S. Retail branches and other societies arranged according to membership in 1951.

Number of members	Average sales per member	
	in S.C.W.S. branches £	in other societies £
1,000 - 2,000	89.0	105.5
2,000 - 3,000	73.6	99.2
3,000 - 4,000	76.4	103.0
4,000 - 5,000	84.5	103.6
6,000 - 7,000	84.0	98.5
7,000 - 8,000	61.5	89.9
8,000 - 9,000	68.0	92.3
11,000 - 12,000	69.1	95.6

Source: Calculated from the Co-operative Statistics for 1951.

2. Two societies with exceptionally high sales per member are found. They are:-

(a) Lochgelly society with 9,331 members and an average sales per member of £151.2. The average for the other society in the same size group is £101.93.

(b) The East Lothian society with 14,646 members and an average sales per member of £119. Average sales for the societies in the two groups immediately above and below this size group are £88. and £84. respectively.

Table 11. Sales of the Retail Societies according to Membership

Size of Society	Number of Societies	Number of Members	Sales £	Sales per Members £
Below 1,000	31	16,547	1,567,320	94.71
1,000 -	38	57,982	6,073,614	104.74
2,000 -	31	75,740	7,327,250	96.74
3,000 -	18	62,961	6,402,047	101.68
4,000 -	15	67,508	6,923,836	102.56
5,000 -	16	90,290	9,116,473	100.96
6,000 -	2	12,246	1,119,265	91.39
7,000 -	10	76,010	6,398,964	84.18
8,000 -	4	33,983	2,509,766	73.85
9,000 -	2	19,019	2,397,687	126.06
10,000 -	2	21,682	2,184,853	100.76
11,000 -	4	46,498	3,948,482	84.91
12,000 -	2	25,271	2,250,592	89.05
13,000 -	1	13,202	1,196,991	90.66
14,000 -	1	14,646	1,752,815	119.67
15,000 -	1	15,688	1,333,032	84.97
16,000 -	-	-	-	-
17,000 -	2	34,787	2,919,318	83.91
18,000 -	-	-	-	-
19,000 -	1	19,177	1,465,629	76.42
20,000 -	9	217,889	19,298,069	88.46
30,000 -	3	96,499	7,317,919	75.83
40,000 -	-	-	-	-
50,000 -	-	-	-	-
60,000 -	1	69,752	5,930,894	85.02
70,000 -	1	76,325	6,081,910	79.68
80,000 -	-	-	-	-
90,000 and over	1	91,682	7,845,956	85.57
Total	196	1,255,384	113,362,682	90.30

Source: Calculated from Co-operative Statistics for 1951.

Table 11. Sales of the Retail Societies according to Membership

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5,000 -	16	90,290	9,116,473	100.96
6,000 -	2	12,246	1,119,265	91.39
7,000 -	10	76,010	6,398,964	84.18
8,000 -	4	33,983	2,509,766	73.85
9,000 -	2	19,019	2,397,687	126.06
10,000 -	2	21,682	2,184,853	100.76
11,000 -	4	46,498	3,948,482	84.91
12,000 -	2	25,271	2,250,592	89.05
13,000 -	1	13,202	1,196,991	90.66
14,000 -	1	14,646	1,752,815	119.67
15,000 -	1	15,688	1,333,032	84.97
16,000 -	-	-	-	-
17,000 -	2	34,787	2,919,318	83.91
18,000 -	-	-	-	-
19,000 -	1	19,177	1,465,629	76.42
20,000 -	9	217,889	19,298,069	88.46
30,000 -	3	96,499	7,317,919	75.83
40,000 -	-	-	-	-
50,000 -	-	-	-	-
60,000 -	1	69,752	5,930,894	85.02
70,000 -	1	76,325	6,081,910	79.68
80,000 -	-	-	-	-
90,000 and over	1	91,682	7,845,956	85.57
Total	196	1,255,384	113,362,682	90.30

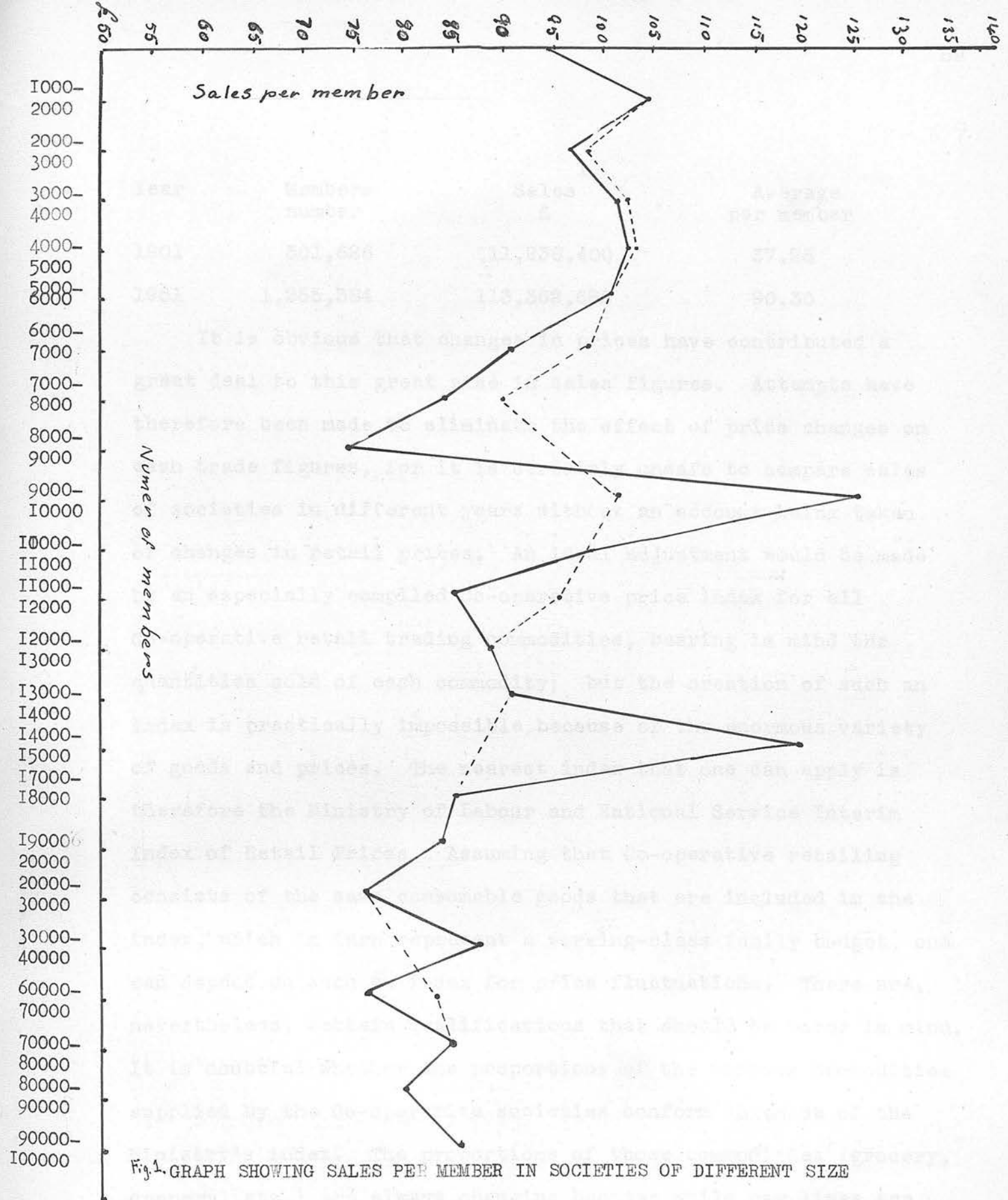
Source: Calculated from Co-operative Statistics for 1951.

3. A society with exceptionally low sales per member is the Paisley Manufacturing Society with 32,747¹ members and an average sales per member of £61. Other societies in the same size group have an average of £83.

The dotted line in the diagram shows a clear tendency for sales per member to decline as the society becomes larger in size.² One obvious explanation for this tendency is that loyalty among members of smaller societies is stronger and accounts a great deal for the members' purchases from the Co-operative. Another explanation may be that competition from other distributive channels is stronger in the case of larger societies, which are generally found in large cities or marketing centres, where one finds multiple or departmental stores, whereas in relatively smaller societies, in small towns or villages competition is not so strong. Moreover, the small society operating in a small and limited area has an intensive rather than extensive development and therefore its average sales per member may well be expected to be higher than the large society.

In tracing the development of Co-operative trade in Scotland during the last fifty years one finds that as far as money values are concerned, there has been a vast expansion in the volume of trade.

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1. This society was originally a productive society and its membership figure includes 303 member societies. This, however, would not affect considerably the Society's average sales.
 2. A.M. Carr-Saunders, P.S. Florence, and R. Peers, found the same tendency obtaining among Co-operative societies in the United Kingdom in 1935, op. cit., p.76.



Year	Members number	Sales ¹ £	Average per member
1901	301,626	11,238,400	37.25
1951	1,255,384	113,362,682	90.30

It is obvious that changes in prices have contributed a great deal to this great rise in sales figures. Attempts have therefore been made to eliminate the effect of price changes on cash trade figures, for it is certainly unsafe to compare sales of societies in different years without an account being taken of changes in retail prices. An ideal adjustment would be made by an especially compiled Co-operative price index for all Co-operative retail trading commodities, bearing in mind the quantities sold of each commodity; but the creation of such an index is practically impossible because of the enormous variety of goods and prices. The nearest index that one can apply is therefore the Ministry of Labour and National Service Interim Index of Retail Prices. Assuming that Co-operative retailing consists of the same consumable goods that are included in the index, which in turn represent a working-class family budget, one can depend on such an index for price fluctuations. There are, nevertheless, certain qualifications that should be borne in mind. It is doubtful whether the proportions of the various commodities supplied by the Co-operative societies conform to those of the Ministry's index. The proportions of those commodities (grocery, drapery, etc.) are always changing because while new lines are

1. Co-operative Statistics, op. cit. for 1938, p.604, and for 1951 pp.7 and 13.

being added and others excluded. An additional defect, lies in the compilation of the index itself. Adjustments of sales figures can be made from 1914 to 1947 on the basis of the now obsolete Cost of Living Index which measured the change in the "cost of maintaining unchanged the standard of living prevailing¹ among working class households in July 1914". The Index did not take account of the changing pattern of consumption since 1914, and thus it became quite unreliable after the beginning of the Second war, when vast changes in the amounts of commodities and their substitutes took place. From 1947 onwards our comparison of the volume of trade in different years will be on a basis which is more factual, though not completely accurate, since weights were adjusted in order to conform with pre-war consumption described in the family budget enquiry undertaken by the Ministry of Labour in 1937-38.² No correlation between the two indices before and after 1947 can be made, since they are compiled on completely different bases.

J.A.Hough has worked out an adjusted price index by excluding from the Cost of Living Index the second item 'rent and rates' which obviously has 'no bearing on the trade of the Co-operative societies'.³ Despite the above limitations this adjusted index will be accepted for eliminating the effect of price changes on Co-operative trade. The same author has also analysed the

1. Industrial Relations Handbook, p.206 (H.M.S.O. 1953, London).

2. Ibid., p.207

3. J.A. Hough, Co-operative Retailing, 1914-45, p.28.

development of trade in the full period 1914-45 for the whole country on a district basis. His general observations can be summarised in the following points:-

1. Corrected trade figures showed an aggregate increase in the volume of trade from 1914 to 1945, but not in a spectacular manner". This has been accepted by Hough since "there is
 2. Trade in the Scottish section, as in all other sections, fell during the first World War but since then made steady progress until 1939. In the period 1939-45, however, contrary to the general trend, the corrected trade figures for Scotland actually showed an increase. Other sections which showed the same trend during the second World War were the Northern (North of England including part of Yorkshire) and the Western (mainly South Wales).
 3. In Scotland there is a difference in the relative progress achieved in the various districts. Districts which were well behind the trend of development in the section as a whole were (a) the Border Counties, (b) East of Scotland, and (c) Glasgow and district. This same tendency is common among¹ industrial areas of the North of England and South Wales.
 4. The best development in Scotland occurred in the North
-
1. The increase in trade was much greater in the industrial area of the Midlands and to an even greater extent in the South of England. The reason for this is the relatively better economic conditions in these parts throughout the period reviewed, as well as the rapid development that took place in the South. Ibid., pp.34-35.

Eastern districts in which special efforts were made by the S.C.W.S. to expand Co-operative trading.¹

J.A. Hough has recently proposed an index compiled from the statistics of personal expenditure on consumer goods and services published in the Government White Papers "National Income and Expenditure". This has been accepted by Hough since 'there is nothing better available for the adjustment of Co-operative retail cash trade covering the War and post-War years'.² On the basis of this index, retail trade in Scotland is corrected for price changes in Table 13. Despite the increase in membership, sales of the retail societies have declined from £42,609,390 in 1938 to £39,884,449 in 1945. This may be attributed to the limited supply of goods during the War and the effect of rationing. Since the end of the War, however, trade has increased.~~though slightly~~
~~declined in 1951~~. It is not claimed that this is a

Table 13. Retail Societies Sales corrected for Price Changes
(1938 - 1951)

Year	Retail societies sales £	Adjusted for price fluctuations £	Price changes index
1938	42,609,390	42,609,390	100
1945	64,213,964	39,884,449	161
1948	87,872,049	43,936,025	200
1951	113,362,682	48,035,035	236

Sources: Col. 2 from Co-operative Statistics,
Col. 4 from Co-operative Review, 1952, p.124 and
Col. 3 calculated.

1. Ibid., pp. 30-31 and 40-41.

2. Price Changes 1938-51, The Co-operative Review, 1952, p.124.

perfect adjustment of trade figures, but there is reason to believe that it is more reliable than using the (adjusted) cost of living index from 1939 onwards.

The examination of figures relating to trade per member is, however, of great significance, since they bring out another implication of the actual progress of Co-operative retail trade. This is shown in the following two Tables. It is apparent that all Scottish districts had always a higher trade per member than the average in the United Kingdom. But from a comparison with the average for Scotland it will be noticed that the Glasgow district has been below the average in almost all the years reviewed. The Central district, on the other hand, has always had a trade per member above the average for Scotland. The two districts have some distinctive features: they are both industrial and are subject to the same economic trends; membership in both districts has advanced by similar proportions (approximately 120 per cent in each); the proportion of membership to population is practically the same in both districts. Nevertheless in one, the Central, the small industrial town society, and the society with neighbouring small towns with not more than 5,000 members, are predominant, while in the other, Glasgow and District, the urban city society with more than 20,000 members prevails. The difference is actually in the circumstances under which societies operate. In the Glasgow district competition from other types of retail undertakings is severe, and loyalty is less dependable than that from members in smaller towns, as in the Central district.

Table 14. Retail trade per member adjusted for price changes
(1914 - 38) 1

(a)

Corrected Cash Values

District	1914 £	1918 £	1928 £	1938 £
1. Ayrshire	37.9	46.0	32.9	32.6
2. Border Counties	39.8	22.4	37.5	32.4
3. Central	49.9	34.5	34.6	36.0
4. East of Scotland	43.1	25.1	33.8	25.9
5. Falkirk	49.6	32.8	40.5	39.2
6. Fife and Kinross	41.2	44.7	29.0	33.6
7. Glasgow	36.9	27.1	34.0	26.5
8. North Eastern	40.7	15.4	25.1	24.2
9. Renfrew	34.4	27.0	28.5	29.0
10. Southern			24.9	25.0
11. Stirling and Clackmannan	40.6	25.0	30.8	30.7
<hr/>				
Scotland	41.3	25.6	30.7	29.9
United Kingdom	28.9	18.2	21.1	20.2

(b) as index numbers 1914 = 100

District	1914	1918	1928	1938
1. Ayrshire	100	121	86.8	86.0
2. Border Counties	100	56.2	94.4	81.5
3. Central	100	69.1	69.6	72.2
4. East of Scotland	100	58.1	78.1	60.0
5. Falkirk	100	66.0	81.5	79.0
6. Fife and Kinross	100	108.0	70.3	81.8
7. Glasgow	100	73.4	92.3	71.2
8. North Eastern	100	37.8	61.8	59.2
9. Renfrew	100	78.5	83.0	84.5
10. Southern	100			
11. Stirling and Clackmannan	100	61.5	70.8	70.5
<hr/>				
Scotland	100	62.2	74.5	72.3
United Kingdom	100	63.2	73.2	70.0

1. Sources: Co-operative Congress reports for the years 1915, 1919, and 1929, and Co-operative Statistics, op. cit. for 1938. Price Index from J.A. Hough, Co-operative Retailing, p. 163.

Table 15. Retail trade per member adjusted for price changes
(1938 - 51)

(a)
Corrected Cash Values

District	1938 £	1945 £	1951 £
1. Ayrshire	50.0	37.3	40.2
2. Border Counties	50.2	37.9	41.1
3. Central	55.9	44.0	43.7
4. East of Scotland	40.1	37.5	38.4
5. Falkirk	60.9	47.5	48.5
6. Fife and Kinross	52.0	40.0	42.8
7. Glasgow	41.1	34.5	35.9
8. North Eastern	37.5	28.3	33.4
9. Renfrew	45.0	32.6	33.3
10. Southern	38.8	28.3	29.7
11. Stirling and Clackmannan	47.6	37.7	32.5
<hr/>			
Scotland	46.4	35.9	38.2
United Kingdom	31.3	23.8	25.6

(b) as index numbers 1938 = 100

District	1938	1945	1951
1. Ayrshire	100	73.8	79.6
2. Border Counties	100	75.5	81.8
3. Central	100	78.8	78.1
4. East of Scotland	100	93.2	95.7
5. Falkirk	100	77.9	79.6
6. Fife and Kinross	100	76.9	82.2
7. Glasgow	100	83.9	87.3
8. North Eastern	100	75.4	89.1
9. Renfrew	100	72.7	74.0
10. Southern	100	72.9	76.5
11. Stirling and Clackmannan	100	78.9	68.5
<hr/>			
Scotland	100	77.3	82.3
United Kingdom	100	76.1	81.8

Sources: Calculated from Co-operative Statistics;
Price Index from Co-operative Review, 1952, p.124.

The effect of too many societies operating in the same area¹ (Glasgow) must also not be overlooked. Comparing the relative development in both districts (in index numbers) one realises that Glasgow was in the first period, 1914-38, well behind the trend of development in the Scottish section as a whole, whereas in the second period the district showed a better tendency. The Central district, however, has been equal to the average until but recently when a decline is noticeable. The Falkirk district has shown a similar, if not slightly better trend. The two districts have in fact, identical characteristics. The North Eastern district has lagged behind the general trend in average sales per member, and its relative progress has been the lowest in the section. This may be attributed to the backward economic conditions obtaining in the North of Scotland and the Islands. During the last War and after, however, the district has acquired a better position in relation to other districts, no doubt, due to the recent industrial development schemes in the North.

From the above analysis, it appears that consideration of the development of trade per member shows a somewhat different result from a mere comparison of aggregate trade figures. The latter takes into account the combined effect of changes in the size of membership and the trend in individual purchases, while the former indicates the actual progress in average purchases

1. Glasgow may be compared with Edinburgh in this connection; there are nine societies operating in Glasgow with an average sales per member of £55.7 (in 1951), while in Edinburgh there are three societies with an average of £82.7.

per member. Each should be taken on its own merits.

The above observations can be summarised briefly thus:-

- (a) All districts had a declining trade per member throughout the period, but the decline was greater in some districts than in others.
- (b) All districts of Ayrshire, the Border Counties, and Fife and Kinross, which showed better results than the general trend in the pre-war period, are now tending to slow down to the average pace of progress.
- (c) The districts of the East of Scotland and the North Eastern and, to a lesser extent, the Glasgow district, showed a greater decline than the average trend in the pre-war period. From 1945 onwards, they show an improvement.

This diversity in the development of Co-operative trade in the various districts can be attributed to the following factors:-

- (1) the size of society prevailing in the district;
- (2) the degree of competition from private enterprise;
- (3) the effect of industrial expansion in the area;
- (4) density of population;
- (5) the degree of penetration and the increase of Co-operative outlets in the district;
- (6) undue competition among too many societies operating in the area;
- (7) the historical development of co-operation and its popularity therein.

6. Co-operative Finance.

A retail society's capital is mainly in the form of shares and loans subscribed by the members. The most important feature of co-operative capital is that it is withdrawable. The effect of this characteristic is that a considerable part of the capital should be kept in a liquid form.

In 1951 the share and loan capital of the Scottish retail societies amounted to £29,884,309 equal to an average per member of £23.8. The corresponding figure for the British Movement is £297,290,242 or an average of £27.2 per member. Expressed in index numbers the aggregate share and loan capital in Scotland has increased to 338 (1914 = 100) whereas the figure for Great Britain amounts to 662.⁽¹⁾ This follows closely the developments in membership and trade already mentioned, the difference being mainly due to the rapid expansion of co-operative enterprise in the Midlands and South of England after 1920. The lower capital per member in Scotland is perhaps a reflection of the lower standard of earnings in Scotland than in England. Moreover, in Scotland 75 societies with 25.9 per cent of the membership⁽²⁾ do not provide loan capital facilities.

In addition to share and loan capital many retail societies operate savings banks in which members can put small savings. The amount of savings banks deposits is, however, insignificant; £778,710 in 1951.

The /

(1) Calculated from Co-operative Statistics.

(2) Co-operative Union Ltd: Co-operative Financial Policy.
P.7 (Manchester 1951).

The other items which appear in the balance sheet of retail societies and which must be reckoned when considering their capital funds are the declared reserves, and the so called sundry funds. The latter include sales club, bank overdrafts and employees' superannuation funds. The reserve funds consist of the general reserve, the dividend equalisation reserve, investments reserve, and income tax reserve. In 1951 the reserve funds amounted to £5,580,310 and the sundry funds to £2,445,763, thus bringing the total of capital funds available to the retail societies to £47,428,444.

Although the qualifications already mentioned with regard to membership figures still apply when relating capital to members, the fact obtains however that the average capital per member is a statistical unity and can well serve to indicate the relative development in members' holdings in their co-operative societies.

An analysis of the volume of capital in the eleven Scottish districts points to certain differences between the districts. From the table below it will be noticed that three districts, Ayrshire, the Central, and Falkirk have a considerably higher capital per member than the average for Scotland. The averages for the three districts are £44.8, £42.2 and £32.17 respectively against an average for Scotland of £23.8. On the other hand the average for the North Eastern district is £9.32 which is strikingly/

strikingly lower than the average for the whole of Scotland.

Capital and Membership in 1951.

<u>District</u>	<u>Capital</u> £	<u>Members</u> £	<u>Average per Member</u> £
Ayrshire	3,768,735	86,103	44.8
Border Counties	588,257	23,927	24.19
Central	3,834,481	119,182	32.17
East of Scotland	3,868,021	201,015	19.2
Falkirk	2,379,533	56,406	42.2
Fife & Kinross	2,888,552	110,874	26.5
Glasgow & District	6,177,638	272,417	22.6
N. Eastern	1,926,982	206,527	9.32
Renfrew	2,633,572	106,514	24.7
Southern	637,056	27,743	23.0
Stirling & Clackmannan	1,181,478	44,676	26.5
<hr/>			
Scotland	29,884,309	1,255,384	23.8

Source: Co-operative Statistics for 1951.

The special circumstances of the North Eastern district may account for its low capital. It will be remembered that eleven retail branch areas operated by the S.C.W.S. are in this district and statistically these areas are counted as retail co-operative societies. Purchasers from S.C.W.S. retail branches are not share-holders though they are allowed to subscribe to the loan capital. But even after deducting the amount of capital and membership of these eleven societies the remainder for the district will still show a low capital per member which is £11.3. One obvious reason for the low capital is the low earnings of the inhabitants in this area. Moreover many societies in the district do not provide loan capital facilities to their members. The relatively high capital figures in Ayrshire, the Central and Falkirk/

Falkirk districts can be attributed to the economic conditions of co-operative societies in these parts. Societies here are generally small or medium sized and operate in small industrial and mining towns where spending is not likely to be at the same level as in larger industrial towns like Glasgow. Moreover the small society with its loyal members may manage to attract a greater part of the savings of its members which otherwise would go to other forms of investment. This point can be further substantiated by comparing capital figures for large and small societies. In Scotland, as already indicated there are fifteen societies with a membership of over 20,000. The total membership of these societies amounted in 1951 to 552,147 with a total capital of £10,665,196 or an average of £19.3. The remainder of societies in Scotland have an average capital of £27.3 per member.⁽¹⁾

For many years the Co-operative Movement has been accustomed to find its capital accumulations increasing steadily. This situation however has changed since 1947 when a decline in the aggregate amount of share and loan capital occurred. The following two tables show the average capital per member in the eleven Scottish districts in the years, 1938, 1948 and 1951 both in cash values and index numbers.

Average/

(1) Calculated from Co-operative Statistics for 1951.

Average Capital per Member. Cash Values and Index Numbers.

<u>District</u>	<u>Cash Values</u>			<u>Index numbers.</u>		
	<u>1938</u>	<u>1948</u>	<u>1951</u>	<u>1938</u>	<u>1948</u>	<u>1951</u>
1. Ayrshire	31.8	51.0	44.8	100	160.1	141.0
2. Border Counties	24.6	27.8	24.2	100	113.0	98.2
3. Central	28.8	37.6	32.2	100	130.5	111.5
4. East of Scotland	17.8	22.0	19.2	100	124.0	107.9
5. Falkirk	33.9	47.2	42.2	100	139.5	124.5
6. Fife & Kinross	22.9	30.4	26.5	100	132.8	115.5
7. Glasgow & District	26.0	26.5	22.6	100	115.8	87.0
8. N. Eastern	9.3	10.4	9.3	100	111.2	100.0
9. Renfrew	26.9	29.7	24.7	100	110.5	85.5
10. Southern	19.5	26.6	23.0	100	136.9	118.2
11. Stirling & Clackmannan	25.0	30.5	26.5	100	122.1	104.5
Scotland	22.7	27.6	23.8	100	121.5	104.8
Gt. Britain	23.4	30.0	27.2	100	128.3	116.2

Source: Calculated from Co-operative Statistics.

It is clear that in all the districts capital holdings per member were higher in 1948 than 1938 whereas the trend reversed between 1948 and 1951. It is obvious that with rising earnings during the war years and restricted consumption, savings would accumulate. A few years after the end of the war goods gradually became available in the market and the level of spending began to rise, savings were low and with a rising cost of living previous savings had to be withdrawn.

These changes however, have not been consistent in all the districts. Certain districts showed a greater rise in 1948 than others and in 1951 the changes again were not consistent. It is significant, however, to point out that on the/

the whole districts with high capital in 1938 were still in that position in 1951, and vice versa. One exception to this tendency however is noticeable, namely the Glasgow and district. The reason here is not far to seek. A number of societies in the Glasgow district are in a declining trend since they operate in the economically deteriorating parts of Glasgow.

Having considered the developments in co-operative capital funds it is relevant to examine the manner in which these funds have been utilised. The following table shows the various assets of retail co-operative societies in Scotland in 1951.

	<u>Amount</u>	<u>Percent. to Total.</u>
Stock in trade	10,411,312	22.0
Property	7,494,091	15.78
Debtors for Goods	2,828,855	5.97
Cash in hand and at Bank	336,715	0.71
Sundry Assets	375,342	0.79
Total	21,446,315	42.25
Investments	25,983,129	54.75
Total	47,428,444	100.00

Source: Co-operative Statistics for 1951.

The capital used to finance the trading operations of the retail societies, in 1951 amounted to £21,446,315. The trade conducted on this capital amounted to £113,362,622, and the net surplus resulting from that trade was £10,738,338, equal to 22.7 per cent. of the total capital and 50.1 per cent. of the trading capital. (1)

The

(1) see page 17.

The practice of hire purchase has developed extensively in the post war period. In Great Britain the amount of trade on hire purchase was £660,000 in 1946 and £10,440,000 in 1951. (Co-operative Congress Reports, 1952 p.61 and 1953 p.36)

Investments, as already indicated, form the largest part of capital utilisation in co-operative societies. This is mainly due to the fact that co-operative capital is withdrawable, hence the need to keep a large part in liquid. Moreover it is likely that the reluctance of co-operative societies to take the risk in using their capital in new trading and productive ventures lead them to prefer short term investment.

An analysis of investments and stock in trade in the eleven Scottish districts is given in the following table.

Proportion of Investments and Stock on Trade to Total Assets in 1951.

<u>District</u>	<u>Investments</u>	<u>Stock on Trade.</u>
	%	%
1. Ayrshire	63.1	16.95
2. Boredr Counties	53.25	23.21
3. Central	63.2	18.63
4. East of Scotland	54.25	23.27
5. Falkirk	73.0	20.02
6. Fife & Kinross	49.05	24.4
7. Glasgwp & District	61.9	17.98
8. North Eastern	20.55	24.45
9. Renfrew	50.2	22.9
10. Southern	48.1	23.35
11. Stirling & Clackmannan	49.8	22.0
Scotland	54.75	22.0

It will be noticed that the three districts which have the largest proportion of their capital in investments are Falkirk, the Central, and Ayrshire. The same districts, it will be remembered/

remembered, have the largest averages of capital per member in Scotland. Moreover, the figures below show that these districts have a lower than average percentage of stock on trade. The agreement between high capital and high investment in these districts ^{show} that ~~where~~ there is a relative over-flow of capital, investments increase. In other words any excessive capital is invested and the field of co-operative trading activities does not vary from one district to another.

Moreover it is significant that in the districts where capital per member is relatively low investments still absorb a large slice of that capital. For example, the East of Scotland district had in 1951 an average capital per member of £19.2 against an average for Scotland of £23.8. The figures in the table above show that in this district investments absorbed as much as 63.2 per cent of the total capital. The same position obtains in the Glasgow district.

It appears from the above that different economic conditions do not show themselves in the enterprising spirit of retail societies. One indeed would expect some variation between societies in small towns and those operating in large urban centres, the latter having a wider sphere for development.

It is ^{also} clear from the figures above, that some districts have less than 50 per cent of their capital in investments while in one district the amount invested is equal to 73.0 per cent of capital. The fact that co-operative capital is withdrawable does/

(1) See developments in departmental trade, Chapter 3.

smaller proportion is now being invested in financing the S.C.W.S; does not necessarily justify the tying up of such a vast amount of capital in investments. Societies should benefit from their experience and determine to what extent they can use their capital reserves in developing co-operative enterprise otherwise the trading operations of the co-operative movement would always be confined within narrow limits. (1)

As investments absorb a great part of co-operative funds it is relevant to examine the various channels into which this capital is invested. The total amount of investments in 1951 was £25,883,129 of which £12,929,308 or 49.75 per cent. was used to capitalise the S.C.W.S. The remainder of investments was distributed among the following:

	Cash	Cash	Cash
	£	£	£
British Government	1,294	2.60	14.78
Local Authorities			
British Government-Local Authorities & Public Boards	4,919		18.93
Joint Stock Companies	29		0.11
Building Societies	1,537	4.13	5.92
Other Co-operative Societies	2,961		11.40
Advances to members	32	7.78	0.12
Advances to Members			
Total	129	0.38	50.25

The pattern of retail societies' investments has changed since the pre-war years. A greater proportion of these investments is now being used in Government securities. As shown in the Table below, in 1939, only 7.9 per cent. of the total was in government securities whereas the percentage in 1951, as the figures show, has increased to 18.93. On the other hand a smaller/

(1) See developments in departmental trade, chapter 9.

smaller proportion is now being invested in financing the S.C.W.S; in 1939 £8,618,000 was subscribed by the retail societies; an amount equal to 52.62 per cent. of their total investments. In fact of a total increase, in the retail societies investments of £9,204,794, the share of S.C.W.S. capital was increased by £4,308,180 and that of Government securities by £3,625,230. Apart from these two items, the cash value of other investments has not changed substantially since the pre-war days.

Retail Societies Investments.
Cash Values and Proportion to Total.

	<u>1939</u>		<u>1946</u>		<u>1951</u>	
	Cash Value	%	Cash Value	%	Cash Value	%
S.C.W.S.	8,618	52.62	20,716	61.36	12,126	49.75
British Government	1,294	7.90	4,972	14.72	4,919	18.93
Local Authorities & Public Boards	3,227	19.70	3,925	11.63	3,579	13.77
Building Societies	1,576	9.68	1,361	4.13	1,437	5.92
Other Co-op. Societies	1,519	9.27	2,626	7.78	2,961	11.40
Advances to Members	106	0.65	129	0.38	32	0.12
Joint Stock Companies	29	1.07	35	0.55	29	0.89
Total	16,378	100.00	33,763	100.00	25,983	100.00

The decline in capital funds since 1947 and the rise in the cash value of stock in trade, already referred to, have inevitably reflected on the amount of investments. From 1946 to 1951 the decline in investments amounted to £7,780,083. It/

The remedy for this may be effected, as explained in Chapter 6, by changing certain procedures in the organisation. The responsibilities/

responsibilities of the board vis-a-vis the managerial staff should be clearly defined. Moreover, the right proportion should be determined by the expert, between investment in trading and industrial operations on the one hand and investment on liquid funds on the other. The Movement, no doubt, can extend its business activities beyond the present scale if a clear plan is developed which can make use of the available large capital.

It is significant to point out that during this period retail societies withdrew a considerable part of their investments from the S.C.W.S. The aggregate decline amounted to £7,789,763. The effect of this on S.C.W.S. finances will be discussed in Chapter 4, but it suffices to mention here that other investments were hardly affected by the decline in the capital of the retail societies.

7. The above analysis shows clearly how the Co-operative movement has accumulated a substantial amount of capital funds, far in excess of the immediate needs for financing its trading operations. In fact, the financial problems facing the Movement are not concerned with the raising of funds but with the manner of using these funds. The amount invested by the retail societies in 1951 was 54.75 of their total capital, equal to 82 per cent of their share and loan capital. One half of this amount is used to finance the S.C.W.S.

The reasons for the low investments inside the Movement are inherent in the whole system of Co-operative organisation. The democratic procedure of electing board directors as it is practised in the movement, puts great weight on the candidates evaluation of democratic principles and not on his experience in financial and business matters. Financial matters are often dealt with by the board of directors. These men's lack of experience makes them reluctant to use but the minimum of capital in their own trading organisation, security in investment being their primary objective. The remedy for this may be effected, as explained in Chapter 6, by changing certain procedures in the organisation. The responsibilities/

responsibilities of the board vis-a-vis the managerial staff should be clearly defined. Moreover, the right proportion should be determined by the expert, between investment in trading and industrial operations on the one hand and investment on liquid funds on the other. The Movement, no doubt, can extend its business activities beyond the present scale if a wise plan is developed which can make use of the available large capital.

7. Dividends and Surplus.

Co-operative trading has always been distinguished from other forms of retailing by the repayment of its trading surplus to purchasers, proportionate to their trade, in the form of dividend. Although the economic importance of dividends has weakened substantially in the post-war years, it remains true ^{that} the dividend to-day is an important pivot upon which co-operative trading turns. Hence the alarm expressed among the leaders of the Movement, against the continuously falling rates of dividend all over Britain. A policy of paying high rates of dividend has many disadvantages; it discourages the organiser from building up reserves, incurring new capital expenses which may in the long run be remunerative, or reducing prices in competition with other trades in the locality. It is relevant to examine the behaviour of dividend rates paid by the Scottish societies since the war years to find out the effect brought about by the war and post war conditions on dividend policy.

The total amount of net surplus earned by retail societies in /

Source. Co-operative Statistics for the year indicated.

in Scotland, in all their activities in 1951 was £11,346,905. From this, interest on share capital, amounting to £626,567 was paid out, together with other allocations covering grants for education, national taxation and other payments. The remainder, paid as dividend on purchases, amounted to £9,919,175, equal to an average rate of 1s. 9d. per £ sales.

The following figures show the average dividend rate per £ of sales from 1943 to 1951 in both Scotland and Great Britain.

	<u>Scotland</u>		<u>Great Britain.</u>	
1943	2	5 $\frac{1}{2}$	1	10
1944	2	5 $\frac{3}{4}$	1	9 $\frac{3}{4}$
1945	2	5 $\frac{1}{4}$	1	9
1946	2	4 $\frac{3}{4}$	1	8 $\frac{1}{2}$
1947	2	3 $\frac{3}{4}$	1	7 $\frac{3}{4}$
1948	2	0 $\frac{3}{4}$	1	5 $\frac{1}{2}$
1949	1	11	1	4 $\frac{1}{2}$
1950	1	10 $\frac{1}{4}$	1	3 $\frac{1}{4}$
1951	1	9	1	2 $\frac{1}{4}$

Dividends have in fact been declining since 1944 in Scotland and from 1942 in the whole of Britain. The following table indicates clearly the trend in declared dividend rates. The figures show the number of societies which had changed their average rate of dividend compared with the previous year, based on declared rates.

	<u>No. of Societies</u>		<u>Total No. of Societies.</u>
	<u>Increase</u>	<u>Decrease</u>	
1945	65	84	211
1946	38	119	209
1947	27	128	207
1948	6	166	205
1949	14	154	204
1950	10	150	203
1951	12	168	196

(1) Source. Co-operative Statistics for the year indicated.

In each year the number of societies showing a decreased rate of dividend compared with the previous year is higher than those showing increased rates. In 1951 the number of societies showing a lower rate was the highest since 1945.

Scottish societies have traditionally paid higher rates of dividend than other parts of Britain. Societies in the South of England pay dividend rates as low as 6d. in the £ of sales.

It is not possible to determine from the published figures the amount of net surplus which is exclusively accruing from trade. Income from investments is included in this figure. There is a general agreement however that retail societies' income from investments is practically equal to the charges they incur on share and loan capital. It can therefore be assumed that the amount of net surplus, after excluding capital interest, fairly represents these societies' income from trading activities.

The following table shows the proportion of net surplus (excluding capital interest) to the value of sales in the years 1939 and 1951 in the eleven districts of Scotland. It will be noticed that the relation between surplus and trade varies from one district to another. Fife and Kinross, and Falkirk districts had in 1951 a net surplus of 11.34 and 11.31 per cent. of sales respectively, the two highest rates in Scotland. The third rate in Scotland is 10.2 per cent, and is held by the Central district. It will be remembered that the same three districts are among the highest in capital and sales per member in Scotland. However, these districts mainly contain the smaller type of society. In addition to an effective loyalty reflected in the capital and sales figures, these /

these societies are likely to have lower operating expenses than the larger societies or societies which are spread over wide areas. Societies in the Ayrshire district which are also generally small and have high trade and high capital do not show a high rate of dividend. Here we find societies spreading branches over wider areas with the result that transport and administrative expenses are likely to be higher.

(1)

Proportion of Net Surplus to Sales.

<u>District</u>	<u>1939</u>	<u>1951</u>
	<u>%</u>	<u>%</u>
1. Ayrshire	11.3	8.7
2. Border Counties	13.4	8.55
3. Central	12.2	10.2
4. East of Scotland	12.6	9.48
5. Falkirk	15.55	11.31.
6. Fife & Kinross	14.44	11.34
7. Glasgow & District	11.1	9.36
8. North Eastern	14.3	8.88
9. Renfrew	7.73	7.84
10. Southern	10.85	8.23
11. Stirling & Clackmannan	11.99	8.79
Scotland	12.31	9.49

A comparison of the relative position of the various districts in 1939 and 1951 shows that the percentage of surplus to sales has declined in all the districts. It is significant however that the relative position of the districts in respect of low and high surplus rates has remained practically unchanged.

The amount of net surplus is obviously affected by changes in prices, wages, and other expenses incurred in the course of concluding the trading transaction. For the purpose of examining the fluctuations in surplus rates during the period 1939-1951 it is necessary to obtain figures relating to purchases, wages, expenses and sales. The information published by the co-operative/

(1) Source Calculated from Co-operative Statistics.

co-operative Union on retail societies' trading operations unfortunately does not contain data on the value of purchases or expenses. It has been possible however to obtain information about the total expenses, including wages and salaries, for the period under consideration with regard to Scotland and Great Britain as a whole.

By adding the amount of net surplus to the total of expenses one can arrive at a figure which represents the gross surplus. The table below shows the proportion to sales of the net surplus, total expenses, and gross surplus. These figures are for a great majority of the retail societies covering 99 per cent of the total sales.

Proportion of Net Surplus, Expenses, and Gross Surplus
to Sales 1939 - 1951.

	<u>Great Britain</u>			<u>Scotland</u>		
	<u>Net</u> <u>Surplus</u>	<u>Expenses</u>	<u>Gross</u> <u>Surplus</u>	<u>Net</u> <u>Surplus</u>	<u>Expenses</u>	<u>Gross</u> <u>Surplus</u>
1939	9.85	18.87	28.72	12.31	16.43	28.74
1940	9.31	18.33	27.64	11.57	15.82	27.39
1941	9.56	18.31	27.87	12.55	15.10	27.65
1942	10.37	17.38	27.75	13.62	14.39	28.01
1943	10.19	17.06	27.25	13.16	14.19	27.35
1944	10.00	16.61	26.61	13.14	13.98	27.12
1945	9.76	17.07	26.83	12.91	14.34	27.25
1946	9.49	17.58	27.07	12.93	14.56	27.49
1947	9.07	18.49	27.56	12.37	15.07	27.44
1948	8.03	18.23	26.26	11.16	14.48	25.64
1949	7.70	17.89	25.59	10.43	14.72	25.15
1950	7.10	16.97	24.07	9.97	13.84	23.81
1951	6.68	17.20	23.88	9.49	14.05	23.54

It will be noticed that the proportion of gross surplus to sales in Scotland approximately equals that in Great Britain. The similarity is noticeable throughout the period, and the difference between the two figures does not exceed 0.6 per cent of sales in any one year.

There /

1944 and There is a marked difference, however, between Scotland and Great Britain in the ratio of expenses to sales. The difference between the two figures ranges between 2.4 per cent. and 3.75 per cent of sales, with Scotland having a lower expenses/sales ratio than Great Britain. The reasons for this difference are not far to seek. The small or medium size society prevails in Scotland. As already mentioned these societies do not usually cover the same range of services as the large societies; when a delivery service is offered the cost of transport is not very extensive. Overhead expenses relating to administration are lower than in the larger societies prevailing in the Midland and South of England.

A number of changes in the trend of expenses/sales ratio are noticeable. A decline occurred from 1939 until 1944; after 1944 there is a rise followed by another decline from 1948 until the end of the period. The same trend shows itself in both Scotland and Great Britain. Sales increased in Scotland by 42.5 per cent. between 1939 and 1944 whereas expenses increased by 21.3 per cent. only. In Great Britain the figures are 28.1 for sales and 14.2 for expenses. The decline in the expenses-sales ratio between 1939 and 1944 can be attributed to the rapid increase in sales figures which was not accompanied by a similar increase in wages and other expenses. The number of employees has remained static and in certain cases it has decreased. Moreover many societies were compelled to cut out some of their services due to the shortage of manpower and the effect of war conditions. The increase in the ratio between 1944 /

1944 and 1948 can be attributed to the relatively slower rise in the cash value of sales, since by 1943 stocks of goods which were already in the market at the beginning of the war were now getting low and many commodities were either no longer manufactured or their supplies were very limited. From 1948 onwards the increase in sales was more rapid than that of expenses as a consequence of the gradual return to pre-war conditions and the removal of Government controls. In fact after the end of the war the value of sales, corrected for price changes began to increase following the continuous decline during the war years. Supplies of goods became available, and consumption was gradually freed from war restrictions.

The changes in net surplus are obviously the result of changes in gross margins on the one hand and wages and expenses on the other. From the table in page 83 it can be noticed that the percentage of net surplus to sales has increased gradually from 1939 to 1942 in both Scotland and Great Britain, and thereafter a gradual decline is discernible. The reason here, as already explained with regard to expenses, is that war conditions did not show their full effect on trade figures until two or three years after 1939. At the beginning of the war stocks in shops and factories were high and it was not until 1941-42 that shortages were felt badly.

After 1942 a gradual decline in the rate of surplus has occurred. A relatively greater drop in the ratio of surplus/sales is noticeable in 1948 than in other years. This has occurred in both Scotland and Great Britain and it can be attributed to a campaign /

campaign of voluntary price reductions initiated by the Co-operative Union in response to the Government's general appeal for a reduction in costs and prices of food commodities.

Although the decline in the proportion of Gross surplus to sales between 1939 and 1951 was almost equal in both Scotland and Great Britain it is significant that the decline in the rate of net surplus was not of the same amount in Scotland as in Great Britain. During this period the rate of net surplus in Great Britain fell from 9.85 per cent. in 1939 to 6.68 in 1951, a decline of 3.17 per cent. In Scotland the decline amounted to 2.82 per cent.⁽¹⁾ The rate of expenses to sales similarly did not decline by the same amount in Scotland as in Great Britain. The proportion of expenses to sales during this period fell from 18.87 to 17.20 per cent. in Great Britain and from 16.43 to 14.05 per cent. in Scotland. In 1951 the actual increase in expenses over the amount paid in 1939 was equal to 12.9 per cent. in Scotland against an increase of 21.0 per cent. in Great Britain. The cash value of sales increased by 49 per cent. in Scotland and 43 per cent. in Great Britain. Expenses therefore, increased more rapidly in Great Britain than in Scotland. This is likely to be an outcome of the traditional policy followed by the Scottish societies of paying high rates of dividend. Faced as they were with rising costs, managers of retail societies, endeavoured to cut expenses to the minimum so that the dividend could be least affected. The arrestment of rising expenses may/

(1) See Table in page 83.

may be effected either by a genuine reduction in operating costs as a result of a more efficient organisation, or by the elimination of certain services which were previously offered to the consumer. It is difficult, however, to determine which of these two devices was responsible for the relatively small increase of expenses in Scotland.

It is obvious from the above that dividend rates were affected by war conditions. Societies which used to pay high rates of dividend could no longer afford to pay such rates. This leads to the question what determines dividend?

Theoretically dividend should find its own level. The amount paid as dividend on purchases should be the actual result of trading operations. It would be expected therefore, that rates of dividend fluctuate according to changes in gross margins, expenses and profits or surplus.

Societies which have in previous years paid high rates of dividend find it difficult to reduce the accustomed rate. The management committee would be reluctant to propose a considerable drop in the dividend rate since such a step would make its position before the membership insecure. A drop in the dividend is likely to be regarded as the beginning of financial difficulties and a consequence to the incompetency of management. The manager of a society paying a high rate of dividend, is always conscious of this fact and takes it into his consideration in directing his sales policy, purchasing and other aspects of the management of his society's business. He may be influenced to drop completely the selling of a particular commodity/

commodity if it does not pay its own dividend, or on the other hand he may find it necessary to sell goods of an inferior quality if this would prove profitable.

Development policy can be seriously slowed down if a society tries to maintain its dividend at the expense of damaging its financial resources. A society may hesitate to open a new department or acquire a new site at a busy shopping centre if that department or shop will not pay the required returns. In short a wrong dividend policy may imply a degree of rigidity in a rapidly changing economy.

Prices may be influenced by the dividend policy of the society. A society desirous to pay a high rate of dividend may tend to raise prices to the level at which it can return to the customer the required dividend. Whether the consumer prefers this method of unconscious saving by paying high prices or would rather buy at a lower price at the expense of reducing the dividend rate is a matter that should be taken into consideration. The ability of a co-operative society to influence prices in its locality depends a great deal on the degree of its dominance in that area. In fact the relations between prices and dividend are very complex and each has an effect upon the other.

It is obvious that under war conditions societies had to reduce their dividend rates to an extent which was not known before. The return to normal conditions is likely to result in relatively high surpluses, then societies may prefer to pay higher dividends instead of consolidating their financial resources and developing their trading/

trading organisation. Under no conditions should the dividend outweigh other important elements in the trading policy of the Co-operative society. An enterprising society will, in the long run, benefit its members and the Movement at large, more than a backward society rigidly confining its practice to its traditional narrow limits in retail distribution.

8. Employment with the Retail Societies.

A statistical analysis of the number of employees engaged by the retail societies and their wages is given here in order to examine the effect of the trade developments which took place during the last few decades on Co-operative employment.⁽¹⁾

Employees of the retail societies can be classified into three groups (1) those engaged in distributive activities, (2) employees engaged in productive and service activities, mainly in the preparation of goods for sale, and (3) transport employees. Unfortunately a separate examination of employees in each of these three groups cannot be attempted since the manner of statistical classification followed by the Co-operative Union has not been consistent throughout the period 1914 - 1951.⁽²⁾ Because of these changes our analysis will deal separately with each of the two periods 1914 - 1939 and 1939 - 1951.

(1) The/

(1) Other aspects of Co-operative employment are considered elsewhere in this thesis. See Chapter 1, 3, 4 and 8.

(2) Up to 1934 transport employees were grouped with the productive and service employees, from 1934-1938 there was a separate division in the statistics on transport employees, whereas from 1939 onwards they were classified with the distributive employees.

(1) The First Period 1914 - 1939.

The number of Co-operative employees in Scotland has increased between 1914 and 1939 from 26,730 to 42,794. The increase in the number of productive employees, however, was to a smaller degree than the increase in the number of distributive employees. The latter increased by 65 per cent. whereas the former increased by 52.3 per cent. only. The figures for Great Britain show a more spectacular development; during this period productive employees increased by 108.7 per cent. while the corresponding increase for distributive employees was 95 per cent.

The figures below show in index number the changes in the number of productive and distributive employees in both Scotland and Great Britain.

	<u>1914</u>	<u>1918</u>	<u>1928</u>	<u>1939</u>
<u>Scotland</u>				
Distributive Employees	100	118	129	165
Productive Employees	100	94	134	154
<u>Great Britain</u>				
Distributive Employees	100	121	153	197
Productive Employees	100	100	190	209

Source: Calculated from Co-operative Statistics.

The number of distributive employees has increased throughout the period in both Scotland and Great Britain. It is significant however, that until 1918 the increase was practically equal in both Scotland and Great Britain, but in 1928 and 1939 the index for Great Britain is considerably higher than the index for Scotland. This difference follows closely the variations already referred/

referred to in connection with trade and membership developments between Great Britain and Scotland.⁽¹⁾ The figures for productive employees show a similar trend except for 1918. In Scotland the number of productive employees was in 1918 lower than 1914. The shortage of manpower and scarcity of supplies during the war years have undoubtedly limited the scope of Co-operative production.

It is relevant to examine the effect of Co-operative development during this period on the number of employees. The following table shows in index numbers, the changes in the number of employees, cash trade and volume trade in Scotland, the Southern Section (South West England) and Great Britain. The figures for the Southern Section are included in this table in order to show the effect of the rapid expansion of co-operative trading in the South of England after 1920.

Employees and Trade.
Index numbers (1914 = 100)

	<u>1914</u>	<u>1918</u>	<u>1928</u>	<u>1939</u>
<u>Number of Distributive Employees</u>				
1. Scotland	100	118	129	165
2. Southern Section	100	123	2377	362
3. Great Britain	100	121	153	195
<u>Cash Trade.</u>				
1. Scotland	100	181	204	243
2. Southern Section	100	185	421	740
3. Great Britain	100	176	238	310
<u>Trade corrected for price changes</u>				
1. Scotland	100	82	121	155
2. Southern Section	100	84	294	471
3. Great Britain	100	79	141	197
<u>Average/</u>				

(1) See page 32

41

Employees and Trade Contd.

	<u>1914</u>	<u>1918</u>	<u>1928</u>	<u>1939</u>
<u>Average trade per employee</u> <u>corrected for price changes</u>				
1. Scotland	100	96	93	94
2. Southern Section	100	68	105	130
3. Great Britain	100	65	92	101

Source: Co-operative Retailing 1914 - 1945.

It will be noticed that throughout the period the number of employees followed closely the increase in trade. The effect of inflated prices however, shows itself in the great difference between the index of volume trade and that of cash trade. In 1918 the index number of employees in Scotland was 118, that of cash trade was 181, while the corrected trade figure was 82 (1914 = 100). By 1928 the index of volume trade has closed up somewhat to the employees' index which was then 129 and volume trade was 121. It is significant that in spite of the increase in volume trade in 1928 and 1939 the average trade per employee remained practically unchanged. The figures for the Southern Section however show a different position. The volume trade index in 1928 was higher than the employee index and this relative position did not change in 1939. The difference between the Southern Section and Scotland will be clearly noticed by comparing the figures of average trade per employee. The index for average trade per employee changed slightly between 1918 and 1939. The index for the Southern Section however moved from 68 to 130 (1914 = 100). This shows that the rapid developments which took place in the south were followed by an increasing employee trade figure.

An/

number of productive employees, for example the East of Scotland, and Fife and Kinross. An analysis of district developments in Scotland shows a similar trend as shown by the national figures. As indicated by the following table the decline in the number of productive employees in 1918 was mainly in the Border Counties, Falkirk, Glasgow and Renfrew districts.

	<u>No. of Employees.</u>							
	<u>Index numbers (1914 = 100)</u>							
	<u>Productive</u>				<u>Distributive</u>			
	1914	1918	1928	1939	1914	1918	1928	1939
1. Ayrshire	100	108	134	193	100	111	91	152
2. Border Counties	100	87	130	139	100	111	127	160
3. Central	100	112	122	138	100	139	130	152
4. E. of Scotland	100	105	176	189	100	118	146	172
5. Falkirk	100	93	113	115	100	130	156	179
6. Fife & Kinross	100	110	151	191	100	126	132	178
7. Glasgow & District	100	90	111	136	100	227	191	252
8. N. Eastern	100	80	136	154	100	108	136	184
9. Renfrew	100	76	116	72	100	123	141	177
10. Stirling & Clackmannan	100	88	108	117	100	108	151	192
Scotland	100	93	133	153	100	118	129	165
Great Britain	100	100	190	208	100	121	153	195

.Source: Calculated from Co-operative Statistics.

Figures for the Southern district are not included since this district was only established in 1922.

At certain districts the index for distributive employees moved considerably faster than the index for productive employees. This can be noticed in the districts of Glasgow, Falkirk and Renfrew.

In Glasgow, for example, by 1939 the index for productive employees was 136 whereas the distributive employees index was 252 (1914=100).

On the other hand the increase in the number of distributive employees was in certain districts smaller than the increase in the number /

number declined during the war years but since the end of 1945 number of productive employees, for example the East of Scotland, and Fife and Kinross. These variations in the pace of increase are due to differences in the kind of development pursued by societies in the district. As explained in Chapter 7 (page) societies in the West of Scotland depend mostly for their productive requirements on S.C.W.S. services which are mainly concentrated in that part of Scotland, hence the relatively slow development of productive activities in the West. On the other hand productive activities in the East of Scotland have kept pace with developments in distribution. Moreover the scope for co-operative production depends on the economic conditions of the society. For example societies operating in remote places can hardly develop their own production because of the absence of the necessary supplementing services in the districts. Furthermore the ability of the society to produce on its own depends a great deal on its capacity in distribution since the production of a commodity or service cannot be economic below a certain level dependent upon the nature of the product. One cannot determine specifically the effect of these two factors, location and size, on the developments which took place between 1914 and 1939, but on the whole the relatively slow productive developments in the North Eastern and the Southern districts are due to such factors.

(1)

The Second Period 1939-1951.

In 1951 the increase in the number of co-operative employees compared with 1939 was less than one per cent. In fact the number /

(1) As explained above the group of distributive employees during this period includes those engaged in transport.

number declined during the war years but since the end of 1945 a gradual increase in noticeable.

The number of distributive employees increased from 33,562 in 1939 to 36,267 in 1951. On the other hand the number of productive employees declined from 9,489 in 1939 to 7,078 in 1951.

In the table below three sets of index numbers are brought together, the number of distributive employees, cash trade, and 'volume' trade.

Number of distributive employees and trade in Scotland Index numbers

	<u>1939</u>	=	<u>100</u>		
	<u>1939</u>		<u>1945</u>	<u>1948</u>	<u>1951</u>
Number of employees	100		97	102	108
Cash Trade	100		146	200	258
Volume trade	100		91	100	109

Source: Calculated from Co-operative Statistics.

The index number for cash trade moved ahead more quickly than the number of employees, whereas the index for volume trade was slower. Inflated prices during the war years caused the rapid increase in cash trade figures, whereas the volume trade index was affected by the shortage of goods during that period. The gap between the employees index and that for 'volume' trade was nearly closed in 1948 - the (1) effect of the price reduction campaign - and in 1951 the volume trade index was ahead of the employees'. The shortage of manpower and the introduction of self-service shops to overcome this difficulty explains the slow increase in the number of employees compared with the increase in 'volume' trade. Between 1945 and 1951 the index for /

(1) See p. 26.

for the number of employees increased by 11 points whereas the 'volume' trade index increased by 18 points. It should be Reference has already been made, in the previous section, to the part of distributive expenses absorbed by wages. It is relevant to examine the position of the various districts in respect of wages cost. Because of the wide variation between one society and another in the type of productive activities undertaken, and because of the absence of data on net output this comparison between districts will therefore be confined to distributive wages. The following table shows the proportion of distributive wages to sales in the eleven districts in the years 1939 and 1951.

Moreover it is likely that the conditions under which societies operate have an effect on the wages cost. The district with a relatively low wages-sales ratio are the Central, Ayrshire and Border Counties. It will be remembered that these among the districts with high capital and sales per member and also with a high wages ratio. These are indications that the co-operative enterprise is relatively stronger in these parts and there the cost is high and the surplus is high in relation to the wages. On the other hand the districts with a high wage-sales ratio are the Southern and Stirling & Clackmannan lesser extent the East of Scotland. It is likely that the shortage of highly industrialised areas has effect on the wages cost.

District	1939 %	1951 %
1. Ayrshire	7.70	7.58
2. Border Counties	8.35	8.39
3. Central	7.66	7.18
4. East of Scotland	10.20	8.63
5. Falkirk	6.56	8.54
6. Fife & Kinross	7.78	7.58
7. Glasgow	8.80	9.39
8. N. Eastern	8.46	8.23
9. Renfrew	9.34	8.83
10. Southern	9.0	8.63
11. Stirling & Clackmannan	8.06	7.69
Scotland	8.60	8.07
Great Britain	9.96	9.81

Source: Calculated from Co-operative Statistics.

No marked change has occurred between 1939 and 1951 in the amount of wages expressed as a percentage of sales. In 1939 the average for Scotland was 8.60 per cent whereas in 1951 wages /

wages were 8.07 per cent. of sales. This is an indication that wages have increased consistently with cash trade. It should be remembered that the relative changes in wages and prices were not necessarily the same; in fact as it is shown in the previous section (1) wages during this period moved ahead of prices.

Moreover the relative position of the various districts has not changed materially between 1939 and 1951, in the sense that the districts which at the beginning of this period had the lowest wage-sales ratio are still in that position in 1951 and vice versa. This suggests that the increases in wages and sales throughout this period were consistent in all the districts. Moreover it is likely that the conditions under which societies operate have an effect on the wages cost. The district with a relatively low wages-sales ratio are the Central, Ayrshire, and Fife and Kinross. It will be remembered that these are among the districts with high capital and sales per member and also with a high surplus-sales ratio. These are indications that co-operative enterprise is relatively stronger in these parts and there the cost of wages is low and the surplus is high in relation to sales.

On the other hand the districts with a high wage-sales ratio are Glasgow, Renfrew, and, to a lesser extent, the East of Scotland and the Southern districts. It is likely that the shortage of labour in highly industrialised areas effect on a higher wages cost. However, transport expenses increase as the society extends its activities over a wider area. This factor shows its effect in the Southern district where societies operate over large areas, e.g. the Dumfries Society extends over the /

the largest single area covered by a society in Scotland.

The observations made in this section can be summarised as follows:- cost is lower and the rate of surplus is higher.

1. The number of employees has increased substantially between 1914 and 1951, with a more spectacular development in the number of distributive employees than the productive employees.
2. The changes in the number of employees in Scotland and in Great Britain correspond with the developments already explained in respect of trade and membership.
3. During the two wars the pace of development slowed down with the effect on the productive departments being more intensive than the distributive departments.
4. Inflated prices in the post war years caused the index of average trade per employee to fall considerably below the number of employees index, but with the partial return to pre-war conditions the gap between the two indices closed up. This tendency was observed after each of the two wars.
5. The developments in the productive departments as between the different districts were dependent upon the availability or otherwise of productions and services produced by the S.C.W.S. and on the economic conditions of the Society - its size and location.
6. In 1951 wages were of the same proportion to sales as they were in 1939 and the relative position of the districts has not changed.
7. Where the Co-op is relatively stronger as indicated by capital /

capital, sales, and membership-population figures, the wages cost is lower and the rate of surplus is higher.

8. The cost of labour is likely to be high in the industrialised areas and where transport distances are considerably long.

CHAPTER IIITHE RETAIL SOCIETIES - SIX CASE STUDIESA General Outline

It will be remembered that our purpose in considering the case studies which follow is to gain a closer view of the local problems of the retail society. The points that are tackled in each case-study cover aspects of control, organisation and management, trading policy, and labour relations in general. In the selection of the societies subjected to investigation it has been borne in mind that they should fairly represent the retail societies of Scotland. The following factors have been consistently observed:-

1. That they should represent the various types of societies.
2. That they should be selected from different geographical areas.
3. That, as far as possible, they should be from different size groups.

The following table shows the membership and district of each of the six societies which have been selected.

Table 16. Membership and Location of the Selected Societies

Case Study	Name of Society	District	Membership 1951
1	St. Cuthbert's (Edinburgh)	East of Scotland	91,682
2	East Lothian	" "	14,646
3	Dunfermline	Fife and Kinross	22,555
4	Perth	North Eastern	11,782
5	Glasgow South	Glasgow and District	76,325
6	Blantyre	Central	5,420

Source: Co-operative Statistics for 1951.

A set of questionnaires was prepared by the writer to be used as a guide for discussion in interviewing officials of the society under consideration. The questions, in each case, were prepared to suit the special circumstances of the society, but on the whole, the general lines were identical for all cases.

As a starting point for the discussion accompanying the case-studies it is suggested that the general theoretical background might be introduced by a few short notes as follows:-

1. Control of the Retail Society.

Democratic control is the first and topmost claim of all those connected with the Co-operative Movement and it is, as is often said, its essential feature, giving the Movement a unique value as a social institution above other kinds of business organisation. Democratic control in this sense implies that the Movement in common with modern constitutional government, has its own legislative, executive and judicial functions, each with its necessary powers. Modern constitutional government has two features:

1. The correlation of the legislative and executive functions and the ultimate predominance of the former as the determining source of authority.
2. The growing separation of the executive and judicial functions which follows as a natural sequence.¹

The legislative body holds the supreme authority; it is concerned with rule-making; it draws up the constitution and formulates policy. The executive body, on the other hand, puts policy into practice. It is the administrative authority where 'separate people may be planning, organising, commanding,

1. D. Mooney, Principles of Organisation, p.81.

co-ordinating and checking-up'. The separation of the executive and judicial functions is a necessary device to ensure and even to develop the sense of social justice among those who share the responsibility to achieve the final common purpose of the organisation.

The control of the retail society is vested in its membership, which exercises its rights through the general meeting. The members elect from among themselves the management committee, which takes charge of the management of the society. The authority of the general membership is thus delegated to the committee, which thereby becomes responsible to the general meeting of the members. The general meeting is held quarterly, when a report on the society's business and its future policy is presented for the approval of members. The chief executive of the society and, in certain cases, some of his assistants are responsible to the management committee. Weekly meetings are usually held between this committee and the officials of the society. Thus the management committee exercises a fairly detailed degree of control upon the day-to-day affairs of the society. The general meeting is regarded as the parliament of the society, where policy is proposed and submitted by the committee, discussed and finally approved by the members. The decision of the meeting would appear, therefore, to embody the desire and common interest of the general body of the membership. Policy should be presented to the members in a clear and understandable way so that they can consider it intelligently. In other words, their role is

not the formulation of policy but its discussion and criticism.

The effectiveness of the discussion depends to a large extent upon the way in which the report and policy are presented. Thus the democratic control of the retail society is assured.

2. Organisation and Management of the Retail Society

After policy has been decided upon, the next step is its practical application. This necessitates, in the first place, the determination of the activities necessary for putting policy into action and assigning them to individuals. In other words it implies the development of some specific organisation with its various structures and sub-structures, and the appointment of individuals to perform the duties implied in the devised policy. The election of the management committee has been discussed in the previous section, and we are now concerned with the organisation of the retail society and the resulting relations between its various sub-structures.

Forms of organisation common among the retail co-operative societies have been classified by Carr-Saunders, Florence and Peers into three main types. The main difference between one type and another is in the status given to the chief executive of the society. In the small society the chief executive, that is the manager, is in charge of both the management of the society's shops and the secretarial work of the management committee. For the medium-size society a secretary is normally elected by the members, whereas, a manager of the society's trading business is appointed by the board,

this appointment being sometimes subject to the approval of the general meeting. In the third type, common among the larger societies, the chief executive is known as the managing secretary to whom all departmental managers, such as grocery, dairy and drapery, are responsible. Secretarial work is assigned to a special department whose head is equally under the supervision of the managing secretary.

A problem which has attracted the views of several writers on the subject is the relation between the management committee and the chief executive. Strict measures of control by the committee may hamper initiative and hinder development. On the other hand, slackness of control may prove dangerous for the future of the society.

The internal organisation of the society is similarly affected by its size. Provision must be made for instructions and information to go both down and up the managerial ladder. The small society, obviously, has a simple line organisation. The general manager is both manager and secretary of the society; he is directly responsible to the board of management and responsible to him are the shop assistants working under his immediate supervision. With the medium or large-size society the position becomes more complicated. Departmental managers are appointed and to them the respective shop managers are responsible. The buying and pricing of goods is usually done by the departmental managers. Functional or specialist departments are established, such as accounts and

personnel, to whose officials all relevant matters are referred. The relations between the functional and trading departments are similar to those between the functional and the works department in industrial undertakings. It is, in other words, a line and staff organisation.

The question of who governs the society at the top may be raised at this stage. Theoretically, policy is formulated at the committee level and decisions on it are made by the members. The chief executive and his staff are then responsible for putting policy into practice. If the members are sufficiently interested in considering policy, their supervision becomes effective. Similarly, if the committee is intelligently concerned with the society's management, it takes an active part in the formulation of policy; otherwise, policy is automatically left to the management officials. The danger of bureaucracy then appears - bureaucracy of the top officials.

The employees' influence on the management of the retail society is worthy of consideration. By virtue of being himself one of the members of the society the co-operative employee becomes eligible for election to the committee of management. Theoretically this is perfectly in order, because the fact that a person is employed by the society does not deprive him of his membership rights. He can be nominated for election and may be elected to the committee as a representative of the general membership. But could he then act impartially despite a natural loyalty to his fellow employees, whenever the interests of employees and members, clashed?

This issue has been a matter of concern to co-operators for some time, because with an increasingly apathetic membership there is a danger that the number of employees in the management committee might outweigh other sections. The general trend nowadays is towards limiting by rule the number of seats in the committee of management open to employee candidates.

Again by virtue of their membership, employees can take part in all activities in which an ordinary member can participate. They can, for instance, attend general meetings, where their influence may have important results. Moreover, if they so wish, they can take an active part in the guild activities or the educational services of the society.

Trade unionism is widely spread among co-operative employees. There is, in fact, a traditional convention between the two Movements that co-operative societies insist on trade union membership, as a condition of employment. The trade unions spare no effort in getting their members elected to the management committees or as delegates to the wholesale meetings. The labour force may therefore have an effective influence on the formation of policy. It has indeed been said that the Movement on the whole is very sensitive¹ to trade union pressure.

Employees' influence on the management may be further exerted through devices of joint consultation, such as advisory committees in which the employees participate. It remains to be seen which of

1. Carr-Saunders, Florence, Peers, op. cit.

these channels have been chosen by the employees of today in order to safeguard their own interests.

Reference has already been made to the comparatively low wages and bad working conditions prevailing in the distributive trades. There are at present, national agreements governing wages and hours of work for co-operative employees, and a well-devised machinery for collective bargaining now operates between the co-operative and the trade union Movements. The stability of this machinery depends to a great extent, upon the support it gets from the retail society. The extent to which this support is given is a matter of great importance. Support from the trade union's side is of equal value.

Other problems relating to personnel management, such as recruitment and selection, training, promotion and demotion, have their bearing upon the employee - employer relations. Retail societies' practice in this field will throw light upon the Movement's attitude towards its employees.

Case Study 1St. Cuthbert's Co-operative Association Ltd., (Edinburgh).1. The Society and its Control

St. Cuthbert's Co-operative is the largest retail society in Scotland. It illustrates the case of the large urban city society with all the implications of that term. Although Edinburgh is not an industrial city in the strict sense of the word, its population are engaged mainly in its paper mills, breweries, rubber-processing factories, flour mills and railway engineering depots. The population of Edinburgh was 466,761 in 1951. In the same year the three societies operating in the vicinity of Edinburgh had a total membership of 128,507, a number amounting to more than a quarter of the population. It is believed that a fair cross-section of the population is represented in the membership of St. Cuthbert's, which was 92,305 in 1951.

A rule of the Society provides for the exclusion of members whose purchases in six months do not amount to the value of five pounds¹, but this rule is not strictly applied. Usually only members whose purchases are less than one pound are excluded from the register of members. The number of such cases, however, is insignificant. This does not indicate that all members are active purchasers of their household requirements. On the contrary, there are many who regard the society as a supplier of one

1. Rules of St. Cuthbert's Co-operative Association, Ltd., Register No. 1R, Midlothian, Rule, 41, pp.23 - 24.

commodity only, such as milk or bread.

There are, however, special qualifications for the admission of a member to the general meetings of the Society. To attend a general meeting a member should possess a paid-up share of £1. Also his paid purchases from the society in the six months preceding the meeting must not be less than thirteen pounds.¹ The latter qualification means that a member should buy goods from the Society to the value of ten shillings per week; an amount which a genuine co-operative member can easily afford. Therefore it cannot be taken as a means to limit the number of people who can attend the meeting but its main purpose is to stimulate the members' interest in their society. Usually the number of members attending the general meetings fluctuates between 300 and 450 members, an attendance so small that represents rather less than one half per cent of the total number of members eligible to attend. Although this figure is less than the two per cent commonly accepted as the number of members attending these meetings, neither the Board nor the officials of the Society seem perturbed over the situation.

Making a further analysis of the sample of members usually present at the general meetings, one finds that one third of those present are employees of the Society; the remainder is composed equally of members of the guilds and of the politically interested wing of the Movement. Now since employees of the Society represent only four per cent of the Society's membership, they are, therefore

1. Ibid., Rule 32, p. 20.

disproportionately represented in the meeting. Their influence on its discussions will be considered later. At the moment we are directly concerned with the rather low proportion of members who attend general meetings: excluding the employees, the attendance of other members amounts to one-third per cent of the total membership - that is to say, each member, attending represents three hundred members. A number of reasons may be given for this apathetic attitude on the part of the members, the first of which is that most of the present-day members of the co-operative society are mainly joining because of its trading activities, whereas the social aims of the Movement no longer have as wide an appeal. In the second place, it is believed that nowadays small variations in the rate of dividend do not worry the members as much as they did earlier when incomes were low and the rate of dividend was a more important consideration. The third cause of this lack of interest may be the complexity of the Statement of Accounts presented to the meeting. The balance sheet and a number of supplementary accounts are regarded as the management's report to the members on the business of the Society during the previous trading period. It may be fairly said that among the directors themselves there are very few who can understand fully the statement of accounts as presented.

General meetings are held quarterly in the months of January, April, July and October. The business of the meeting usually consists of:-

1. Consideration of the minutes of the previous general

meeting; synopsis of Board meetings, and of any special general meeting held since the previous ordinary general meeting.

2. In April and October: consideration of the half-yearly report from the Board and Auditors of the Association.
3. Election of office-bearers and of delegates to the S.C.W.S. meetings and to the Co-operative Union's Annual Congress.
4. Passing of resolutions for the guidance of the Board in accordance with standing orders.

For every meeting a report is prepared by the Board of Management, which is printed and distributed to the members on application at the Society's branches. The following were the main items of the report for the quarter ending 1st September, 1953,¹ presented to the General Meeting held on 20th October, 1953:-

- (1) The President's Address: This comprised a general statement of the Society's progress in the period under review, the trend in prices and margins, and the rate of dividend to be paid. It also included a brief statement for each department; the following is an example: "Bakery - Bakery sales have increased by £19,806. The introduction of white flour has not met with much demand from our members, especially in view of the increased prices. Our bakery, therefore, has ceased producing a loaf made from white flour. It might

1. A detailed account is given here of the proceedings of this meeting to give a clear picture of what happens at general meetings of co-operative societies. In other case studies mention will be made only of the broad outlines and of any variation from the account given above.

be noted that flour produced by the S.C.W.S. does not receive any chemical treatment, and bread produced with best quality National flour can be highly commended."

The Address is thus no more than an outline of the Society's past trading activities and an appeal for a continued loyalty from the members.

- (2) Synopsis of minutes of Board meetings from 11th June to 3rd September. Reports of eleven weekly meetings were given. These were again brief in substance and they did not allow of any critical consideration of the business done inside the Board room. For instance the statements "Farm Managers' Weekly Reports noted; Received Delegates Reports on visit to factories on 4th inst.," are frequently found without any information on the content of the report. Each report contained a statement of the number of members who have joined or left the Association during the week.
- (3) Reports on the activities, dates and hours of functions held by the following bodies:-
 - (a) Education Committee.
 - (b) Society's Co-operative Party.
 - (c) Employees' Welfare Association.
- (4) Reports of the delegates to the S.C.W.S. quarterly meeting (12th Sept., 1953) This contained a statement

of the sales of the Wholesale, the trade of the factories, the election and nomination of officials, and the grants approved by the meeting.

It should be pointed out that all items in the report are taken as read beforehand and were announced merely by their titles. Questions were invited, and these, if any, were considered before the meeting proceeded to the following item. The main points raised by the members at this meeting were:-

Who were the delegates appointed to the Co-operative Day Rally? - Names given.

What was the interest of the Association in sending delegates to the Royal Highland and Agricultural Show? - The Society had Farms and it was in its own interest to keep in touch with the market. (It was obvious that the questioners were mainly concerned with 'who' went rather than 'why' they went, since such assignments were considered as paid holidays).

Why was the farm sold? - Because it has been running at a loss for a considerable period.

Why did the bakery sales manager resign? - He had found a better job outside.

Why did the Board agree to accept the offered sum for the compulsory acquisition of part of Gogar Mains farms? - The Board had no option.

The Balance Sheet and Statement of Accounts" is a statement of the assets and liabilities of the Society, together with details of the main accounts - Cash, Trading, Expenses, and Property Revenue. The various accounts contain too much detail to be of use to any but the expert. In the Trading Account, for instance, details are given for every department of stock at beginning and

end of the period, net purchases, carriage, goods transfers, expenses, net sales, dividend on purchases (from suppliers), and surplus or loss of the department. The layman can easily get lost in such technical details. The following were the main questions raised on the Balance Sheet presented at the meeting under review:-

- (1) The reason for the decline in the amount of collected rents from previous periods... The answer was that part of the property was sold.
- (2) The reason for the appearance of the item 'overpaid merchants' ... It denotes amounts paid to the S.C.W.S. on account of goods not yet received. The S.C.W.S. allows the retail societies interest on such money; therefore it was to the Society's own advantage to deposit such surplus money with the S.C.W.S.
- (3) The nature of a body receivingⁱ a proposed charity grant... This was a school for blind children.

From the above it becomes clear that the meeting did not discuss in any detailed way the general policy adopted by the Board. No consideration was given to the trading policy of the society or the wage increases that occurred during the quarter¹ under consideration. All matters raised in the meeting were merely of a routine nature.

2. Organisation and Management

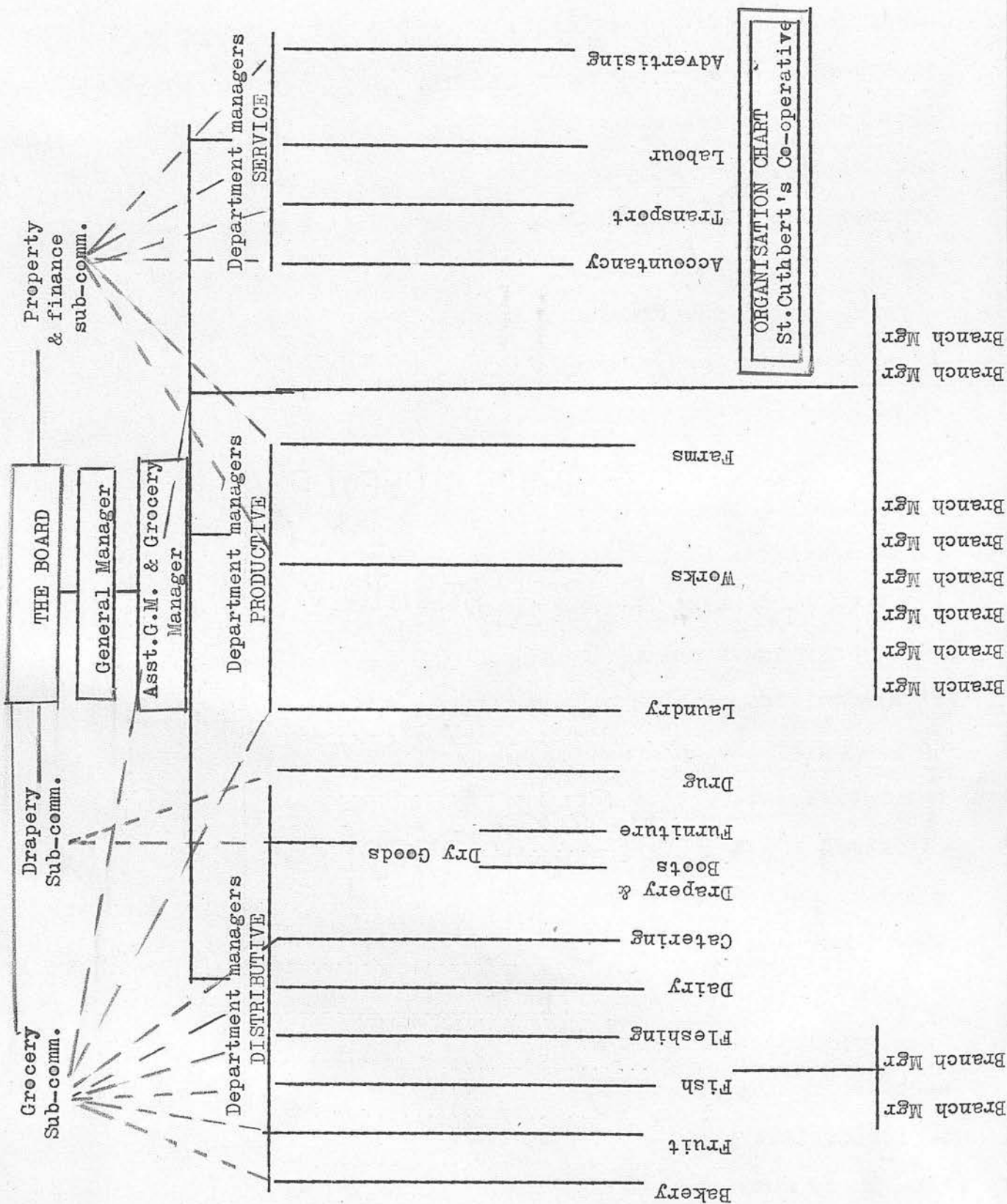
According to rule 7 the management of the Society is vested in a Board of Directors, consisting of twenty members including

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1. A National Wages award was granted for all co-operative employees during this quarter.

the President, Vice-President, Treasurer and the Secretary.¹ All are elected by the members at the General Meeting. The Board is divided into three sub-committees: Finance and Property, Grocery, and Drapery, each of which supervises and controls a group of departments. The three sub-committees report to the Board, which possess 'all powers relating to the management and control of the affairs of the Association'. The Board is actually composed of twenty members most of whom are layman workers with little or no experience in business practice. This may be the reason why, in the opinion of some critics, twenty members are considered too many for a Board Meeting which is concerned with the supervision and control of the business of the Society. In view of the fact that most of the work is done at the sub-committee stage, the discussion at the Board meeting is not of much effect. The Board actually has the final decision, but in most cases the decision would already have been made by the sub-committee concerned and brought to the Board for ratification. The fact that the directors are not full-time officials and that they meet only in their spare time may justify a larger number participating in its duties, since the amount of time that each director can spare is limited. On the other hand, the presence of too large a number at the Board meeting does not help the transaction of its business in a satisfactory manner, considering the size of the society and the complexity of its administrative problems, which are essentially different in nature from those obtaining in the small society.

1. Rules of St. Cuthbert's Co-operative Association, Ltd.

op. cit., pp.4-5.



The Board appoints the General Manager, who is responsible for the management of the Society's business. All departmental managers are directly responsible to him. These departments can be classified into three types - distributive, productive, and service. By virtue of its importance the grocery department is placed under the supervision of the Assistant General Manager. As may be seen from the chart, all departments are organised in the same manner: shop managers report directly to their departmental manager, who is responsible to the General Manager, and the latter in his turn is in direct contact with the Board; thus the chain is linked. The service departments are functional departments; they act in an advisory capacity.

The General Manager meets the Board weekly. It is generally believed that such meetings - given the nature of problems discussed therein - are bound to curb the activities of the management officials. The rules of this Society allow employees to stand for election to the Board, but their number must not exceed four.¹ The elected employees act on the Board in their capacity as members' representatives, i.e. representatives of the general membership to whom they are nominated and duly elected.² On the present Board the four employee-directors occupy the executive position³ of Assistant Accountant, Labour Officer, Grocery Shop-Manager, and Foreman Electrician. Two of these are actually in the Society's management staff. Membership of the Board, of employees at this level may be helpful rather than

1. Rules of St. Cuthbert's Co-operative Association, Ltd., Rule 7, p4.

2. November, 1953.

harmful, provided that full co-operation exists between them and the General Manager. As directors they are in a position to exert some influence on the Board's decisions and therefore it is advisable that they should possess a thorough and sympathetic grasp of the Society's general policy. It is true that they are only four in a Board of twenty, but they are likely to have a greater influence on the Board's decisions than the other directors. They are veterans in the Society's employment (30 years is a case in point), and are in close touch with the Society's day-to-day problems. They can therefore benefit from their experience, and are in the position of technical experts giving advice to the laymen Board members. The possible danger against discipline has been advanced against this practice, but in this Society there is harmony between these officials and their supervisors. They realise that at their work they should recognise the authority of those to whom they are responsible, whereas in the Board-rooms their function is to safeguard the interests of the members. In the writer's opinion the matter depends entirely on the individuals concerned, for with different persons the relations might be different. Some time previously, relations between employee-directors and the then General Manager were not harmonious and this obviously reacted unfavourably on the smooth running of the Society's business.

Whether the Society is managed, at top level, by the General Manager or by the Board is not an easy question to answer. We have seen that the various sub-committees - sub-structures of the Board -

actually supervise and control the work done in the various departments allocated to them. The Grocery sub-committee, for instance, makes a periodical review, weekly or fortnightly, of the progress and activity in the Grocery, Bakery, Fruit, Fish, Dairy, Catering, Fleshing and Transport Departments. A periodical report submitted by each departmental manager includes details of sales, wages, and expenses and the net surplus for each shop. Rates per £ sales for all these items are shown for purposes of comparison. The sub-committee meets the departmental manager if it so desires; a decline in sales, for example, may be investigated, or a proposal to open a new branch may be considered. Similarly, the Drapery sub-committee is responsible for supervising the Drapery and Boots, Drug, Coal and Laundry departments. The Finance and Property sub-committee is concerned with financial matters, such as the buying or selling of property, the running of farms, grants and charity matters, superannuation schemes, the installation of new fittings in shops, and the buying of vehicles and machines. It could be said that top management is actually shared between the high officials and the various sub-committees, which in themselves comprise the Board. Day-to-day managerial problems, such as the buying and selling of goods, are actually left to the managerial staff, but major matters, such as the development of new lines, transformation of shops to the self-service type, buying and selling of property and investment of funds, are in practice the concern of the Board. It should be remembered however, that the four employee members on the Board have their say in reaching decisions on such

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 matters. It is noticed from the minutes of the Board that no mention is made of the external relations of the Society with other trading organisations, private as well as co-operative - or what is sometimes called the strategy of the organisation. The writer's own impression is that so long as the policy adopted by the management staff is satisfactory and consistent with the Movement's major policy, the Board does not interfere in such matters. But whenever any deviation occurs, it is the duty of the Board to raise such matters and discuss them with the management. It is important to realise that the employee-directors are in close touch with the day-to-day management of the business and can direct the attention of the Board to such matters.

A problem of organisation which sometimes arises in larger societies is that of the control of branch department stores. St. Cuthbert's, like many other co-operative societies, follows in the main, the practice of one-department shops where each branch-manager is responsible only to his appropriate departmental head. This Society, however, has two departmental stores. Both deal in goods covered under the Dry Goods Department. One, situated in Bread Street, is considered the centre of the Dry Goods Department, which is under the control of the Dry Goods Manager with his two assistants, one for footwear and the other for drapery and furniture. The other store, which is situated in Nicholson Street, is considered a branch of the Bread Street Store and is managed by two branch-managers, one for footwear and the other for drapery and furniture, each supervising his own department. These two work

1. Synopsis of Board Meetings presented in the report.

under the supervision of the assistant managers in Bread Street and are responsible only for sales. Buying is centralised in the other store. Common problems, such as those related to the appearance of the store and its general operation, are dealt with by consultation between the two branch-managers and the assistant managers, the final decision resting with the Dry Goods Manager. A restaurant operates on the top floor of the Bread Street Store. The staff working in this department are under the supervision of the Dry Goods Managers and not the Catering Manager. This special arrangement has been drawn up at the request of the Dry Goods Manager who claims that since many functions concerning his department, e.g. fashion parades, are organised in the Restaurant he must have control over its staff. The restaurant is operated on cost price and not for profit, and is only for the convenience of the staff, and therefore the Catering Manager does not insist on operating this particular branch.

3. Personnel Matters

In 1951 St. Cuthbert's Association had an employment roll of 3,689, with an annual wages bill totalling a little less than one million pounds.

All personnel matters are the responsibility of the Labour Officer, who reports directly to the General Manager. It must not be forgotten that the present Labour Officer is a director of the Society. His position on the management staff is not executive but functional. In other words, he acts in an advisory capacity. He gives advice to those on the line and it is

through executive officials that he can get things done.

The appointment and dismissal of employees is, according to the rules, the responsibility of the Board of Directors; but the rules allow the Board to 'delegate and assign any or all of their duties and powers in relation to such matters'. In practice the appointment of all employees up to the level of shop-manager is the responsibility of the departmental manager, the engagement of shop-managers, however, being subject to the approval of the General Manager. The appointment of employees above the level of shop-manager is under the direct supervision of the Board, usually after consultation with the General Manager.

It is nowhere specifically laid down in the constitution that employees must be members of the Society. But there is an established tradition that employees should be selected from members of households that are co-operative buyers - 99 per cent of the employees of this Society belong to such households. Since the outbreak of the last war and the consequent shortage of man-power this tradition has had to be ignored at times. It has been frequently realised by co-operative leaders that if the Movement is to safeguard its voluntary nature, it should not compel employees to be members of the societies employing them since this might arouse the antagonism of private traders against employees who are co-operative sympathisers. Yet there is a view among co-operative societies today that the co-operative employee, to serve the members efficiently, must subscribe with faith and sympathy to the principles which actuate the Movement. When one remembers that all

those working in an organisation should believe in its common purpose one may allow the Movement to be rather particular in its selection of employees. This problem is discussed in detail in Chapter 8.

The Society recruits its labour force from boys and girls of school-leaving age and the co-operation of the local Appointment Officer is sought in this matter. The recruits usually have an interview with the Labour Officer and the departmental manager, the applicant being given a written examination equivalent to a simple intelligence test.

For branch managers the society depends mainly on recruitment from among its own employees. Usually the Assistant Accountant and the Assistant General Manager accept responsibility for setting the appropriate examination. Problems in book-keeping and other shop-management matters are set, and successful applicants are then interviewed and duly appointed by the departmental manager, subject to confirmation by the General Manager. For jobs above the level of branch manager advertisements are inserted in both the co-operative and the private press, the applicants are interviewed by the Board in the presence of the General Manager, and, all other things being equal, the Society prefers to appoint those with a co-operative background.

New employees are encouraged to further their educational background. Young employees, must attend Evening Continuation Classes for three years during which the fees are paid by the Society if the employee attains a certain standard and provided

that one subject in the course is relevant to the employee's job - e.g. salesmanship or book-keeping. Day-release classes may also be attended. After attending the continuation classes for three years, successful employees are allowed to join the Bellevue School of Salesmanship (Edinburgh) and if the employee shows a sufficiently high standard he is then considered for a scholarship grant at the Co-operative College at Loughborough.

Wages are paid according to the scales fixed by national agreements between the Co-operative Movement and the trade unions. The Society regards the wages fixed by these agreements as the proper wages to be paid and not, as some of the trade unions claim, a minimum for the job.

A grading scheme is in operation for clerical jobs. This is known as the Office Grading Scheme and comprises four successive grades, the lowest corresponding to the basic trade union rate which is paid to employees on reaching the age of 26. Promotion to higher grades depends upon the employee's job and his responsibilities. Each grade contains seven sub-grades along which the employee's rate proceeds according to the time he spends on the job, i.e. seniority in the grade depends upon time. Payments above the trade union rate is considered as a compensation for the extra responsibilities laid upon the employee. It is doubtful whether an increase which depends merely upon the time spent on one job particularly, does in fact stimulate initiative and promote efficiency.

A half-yearly review of wages is made, for employees whose

rates are regulated by the amount of sales (for salesmen) or by age (for clerical jobs), and their wages are adjusted accordingly. For other classes of employees, shop inspector level and upwards, no regular review is made and it is for the employee to apply for an increase in his salary if he thinks he deserves it. Application is made to the immediate supervisor who, after consideration, submits his recommendation to the General Manager. If no settlement is reached at that level, the matter is further referred to the Wages and Salaries Committee, which acts on behalf of the Board. Demotion of an employee to a lower-paid job is done only after a warning has been given to the employee and the latter has failed to improve his standard. Junior employees can be dismissed by departmental managers but with the authority of the General Manager. Employees occupying managerial positions can only be dismissed after consultation with the General Manager but on the whole, dismissals are rare.

In cases of disputes on labour matters between the employee and the management, the matter is dealt with between the trade union officials and the top management, and if no solution is reached the Union can then appeal to the Secretary of the Society, who refers the matter to the Board. Failing agreement at that level the Union has two courses open to it, (a) either to use the national machinery of conciliation or (b) to have the matter raised by one employee at the General Meeting of the Society; but disputes that reach this stage are indeed very rare.

Consultation between management and employee has not advanced

fer in this society. The only step forward is a recently formed 'Grocery Advisory Committee', consisting of two shop-managers, two first assistants, two ordinary hands and one representative from the clerical staff of the Grocery Department. This committee meets periodically and acts only in an advisory capacity - the management may or may not accept its views. The committee discusses general matters of trading practice and staffing, and there is no specific limitation of the topics it may discuss except in so far as its agenda must be agreed to by the management. There is no other formal meeting between the management and the employees either at the bottom or mid-level. One such meeting, however, takes place once every six months between the General Manager and the Grocery shop-managers in which the trade matters are discussed. Undoubtedly, periodical meetings, which should be more frequent, between departmental and shop-managers to discuss policy and thrash out current problems could be of real value. It is understood, however, that these meetings are only resorted to whenever circumstances necessitate such action. Between September and December, 1953, for instance, there was a decline in the meat trade, and a meeting was arranged between branch managers and the Fleshing Department Manager to consider means by which trade could be revived. The meeting was successful, and among its recommendations was a proposal to establish a 'Butchery Advisory Committee' similar to the Grocery Committee. After consideration however, it was decided to add two butchery branch managers to the Grocery Advisory Committee.

4. Trading Practice

St. Cuthbert's has been well ahead of the average co-operative society in the scope of its trading ventures. Besides the usual trading activities - grocery, drapery and allied trades - it owns an hotel as well as a fleet of motor coaches for excursions and tours. It has entered the field of catering; on the productive side it has a bakery, a bacon-curing factory, a bone-crushing plant, a dairy, arable farms, a laundry, and an engineering and electrical works for repair and maintenance. St. Cuthbert's has relatively high average sales per member in comparison with societies of similar size¹. In 1951 its trade amounted to £7,845,956, or an average per member of £85.57. An analysis of its trading account for the half year ending 1st. September, 1953, shows that 47 per cent of its trade is in grocery, 16 per cent in drapery, while both the bakery and fleshing departments have a share of 9.5 per cent each.

A comparison of the Society's trading activities in 1938 with those now current gives little evidence of any fresh enterprise in providing new commodities or services. This may be due to the marked lack of any spirit of commercial adventure amongst the Board members, who are elected from among the laity of the movement and possess little or no business experience. We need only set them beside their counterparts in private enterprise to see the ample and varied opportunity for development that has

1. Carr-Saunders, Florence and Peers, op. cit., p.76.

been missed by the former and grasped by the latter. One reason is that private enterprise appoints its directors from among men with the necessary background of wide and varied experience. Thus hampered by lack of vision it is right and natural that the directors should concentrate on avoiding all occasions of loss through speculative ventures. The machinery of democratic control as it operates within the Co-operative Movement is yet another reason for the restrictive attitude taken by co-operative directors. Co-operative capital is withdrawable and great care has to be taken in venturing into long-term investments or into projects with a larger element of risk. This problem of lack of enterprise is fundamental to the Co-operative Movement and it does in fact underlie all its business functions. It is, however, suggested that a full consideration of this problem can with advantage be postponed to a later stage of this thesis.

In order to ascertain the relative efficiency of the various shops belonging to the Society, the expenses of each shop are analysed in relation to its sales. Thus for every shop, figures are given ^{to the board} showing: the gross surplus, wages, other expenses, and net surplus per pound sales. All shops belonging to one department, such as grocery, are compared together.

Nearly three quarters of the Society's expenses go on wages, and it is this item that demands the most careful scrutiny, because any wasteful handling of the wage-bill will affect the final position. Comparison shows that self-service shops have the lowest expenses per pound sales, while mobile units have the highest. In considering the sales of any particular department, one must

take account of the local conditions in which a given shop operates; for instance, a grocery in a thickly populated town district will yield different results from a similar shop in the suburbs. In this manner it becomes possible to find out which of the shops is relatively less efficient than the others, and the fact that the Society has more than three hundred sales points allows comparison to be made on a fairly wide basis. Comparison is made between the Society's shops. It does not seem, however, that any comparison is made with shops of other societies; nor is it likely, if it is even possible, that an assessment of efficiency is made with private enterprise.

The allocation of expenses on a commodity basis is done only for the use of the managerial staff. The difficulty of such analysis due to the variety of commodities in which the Society deals, and the diversity of conditions under which shops operate, should not be overlooked. All this affects the degree of accuracy in determining the cost of an article when it is sold. The problem is less complicated in private trade, where the whole organisation deals in one line of trade, or, at most, in a small number of related lines.

The problem of having the right number of employees in a shop throughout the day presents itself in many shops. Every shop is staffed according to its requirements (i.e. volume of business transacted) at the normal hours. In the early hours the shop is usually over-staffed, whereas at peak hours, in the afternoons and on certain days, e.g. Friday and Saturday, there is an obvious

shortage of assistants with the result that 'waiting in the queue' becomes a necessity. The fact that the Society tends to have its shops open all day for longer hours than other shops accounts for the larger number of employees needed.

In agricultural enterprise the Society has not been very successful and this is general with consumers societies. Recently ~~one of~~ St. Cuthbert's sold one of its farms because returns were low. The Society has at present two farms of 1,754 acres in all.

Pricing of goods is done by the departmental buyers, the Society's policy being to charge the consumer competitive market prices. No marked difference appears in the pricing of co-operatively produced goods except in the case of cigarettes, where a supplement is added to the standard price of private enterprise productions to augment the relatively low margins in cigarettes. In the past the same charge was made on co-operative cigarettes but this was discontinued in order to stimulate sales¹ in this line.

The Society at present pays a dividend of 1s. 6d. per £ sales compared with a rate of 1s. 10d. in 1951 when the other two societies in Edinburgh were paying 1s. 10d. and 1s. 9½d. This substantiates the hypothesis that societies in neighbouring areas tend to pay similar amounts of dividend. The falling rate of dividend is understandable. On asking whether the Society does

1. This step was taken in response to a request from the S.C.W.S. appealing for special treatment of their cigarettes, since the tobacco factory was about to be closed for lack of trade.

actually respond to the desire of some of the Movement's leaders for a standardised dividend rate, the writer has been told that the Society would not, for any reason, deliberately reduce the dividend. Directors would never agree to such an arrangement, since it would lead to criticism from the members.

Credit trading is allowed on three systems:-

- (a) Open credit account: This allows each member an open account up to the amount of eighty per cent of his share capital. All credit accounts transacted thus are transferred to the Grocery department, at which, under a special arrangement, this class of accounts is payable. No interest is allowed for the amount of share capital traded on, as the retained interest pays for the expenses of the credit system. No bad debts occur since the payment is guaranteed by the share capital of the member.
- (b) Club-trading: This is a system by which the member is allowed to buy goods up to an amount which depends on his share capital, and his previous club record. A charge of one shilling per book is made to meet expenses. Here again there are no bad debts since, in case of non-payment, the amount due is met from the member's dividend on purchases. This method is very popular among the members, and practically one third of the trade in dry goods is done through club-trading.
- (c) Hire purchase trading: This is done on a very small scale in the co-operative world as compared with its extensive

application in private enterprise.¹ This fact calls for explanation in view of the immensely more attractive and advantageous rates offered by the former - only $7\frac{1}{2}$ per cent per annum is the rate of interest charged on the purchase price as against a charge of between 12 and 17 per cent charged by private firms.² In the writer's view the Society's publicity is to blame here for failing to impress on its customers this remarkable advantage over private enterprise.

St. Cuthbert's spends annually £10,000 on advertising, all publicity being centralised in the Advertising Department. Two thirds of this amount is spent on 'dry goods' advertising to increase sales in this department. The policy of the Society is to advertise only on special occasions such as sales periods. No attempt is made to attract new members or to push day-to-day purchases by advertising.

Market research could be extensively practised on the great mass of information available to the Society; but it is not attempted. The climax check system, by which every article purchased is recorded together with the name and share number of the member purchaser, gives ample opportunity for an analysis of the Society's sales, purchasing habits of the members, their preferences etc.

Personal contact with the members could be done on a scientific basis

1. St. Cuthbert's sales in Dry Goods in the six months ending Sept., 1954 amounted to £755,000, of which £397,000 was in cash, £208,000 in Club-trading, £90,000 in Hire-purchase, and £60,000 in Open credit: These figures are for a period after the removal of the statutory regulations regarding the payment in cash of a third of the value of goods purchased. Previously Hire-purchase trading was about half this amount. For the corresponding period in 1953, sales on Hire-purchase amounted to £54,000.
2. December, 1953.

to find out why they do not buy their supplies of a particular line from the Society's shops - is it price, quality, service, or some other factor? An investigation of this kind may be costly, but it is well worth considering whether the benefit accruing might not pay for its cost. The least that can be expected from such an investigation is that advertising and canvassing can be canalised in the right direction. The relation between the Society and the member could be made of greater benefit than at present. The Society has had one single experience in this field; when the Dairy was established in 1927 an enquiry was made among a selected group of the members to find out the best methods for the distribution of milk. The official interviewed, said the experiment showed very useful results. But it was not repeated!

St. Cuthbert's obtains between 65 and 70 per cent of its requirements from the S.C.W.S. There is no preference between co-operative and private trade products except that when price and quality are identical, co-operatively produced goods are preferred. This loyalty is natural and to be expected. The Society's policy, however, is to supply the consumer with what he wants. Being the largest society in Scotland, St. Cuthbert's maintains close contact with the Wholesale and takes a keen interest in its management through the usual democratic channels.

Efforts at federation by societies in the neighbourhood of Edinburgh show a disappointing record. St. Cuthbert's has put forward a scheme to the Leith, Portobello, Musselburgh and East Lothian societies for centralising their collective laundry business

in its own premises, but although the scheme has been accepted, no effective support is forthcoming. St. Cuthbert's takes the view that other societies are not so enthusiastic towards it as they should be despite the favourable terms offered to them: a discount of 2s. 4d. per £ is allowed. Attempts to promote a federal bakery have also been unsuccessful. Most of the societies in the East of Scotland depend for their bread supplies on one of two bakeries, namely, St. Cuthbert's and Leith. Large-scale production in bread baking is economical and it would have been even more advantageous if the work of these two bakeries could have been concentrated into one. But the rivalry between these two neighbouring societies makes such an arrangement impracticable at the present time.

Case Study 11.The East Lothian Co-operative Society, Limited1. The Society and its Control

The East Lothian Co-operative Society has already been mentioned in this work first in respect of its striking set-up as the outcome of five amalgamating Co-operatives and again as an example of a society with exceptionally high sales per member considering its size. These two features, coupled with the fact that the Society covers practically the whole of the county of East Lothian, have made it worthy of selection as a case study.

The East Lothian county is mainly agricultural, but since the turn of the century the coal mining industry has grown in importance. Moreover, several of its coastal towns have developed into famous holiday resorts, a factor which has added to the prosperity of its inhabitants. With its head office at Tranent, the East Lothian Society has branches at Cockenzie, Dirleton, Dunbar, Duns, East Linton, Elphinstone, Gifford, Gullane, and Haddington. It will be observed that the branches are mainly among the mining and industrial community. Indeed, in spite of ample opportunities for capturing ground in this important agricultural county, there is at present little sign that co-operative trading is making headway among agricultural communities as it has done among the industrial workers. This is further evidence that the Movement today is still a Movement of the factory and mining society, a characteristic which it has retained since the days of the pioneers.

In 1951 the East Lothian Society had a membership of 14,646. Another small society operating in Prestonpans with a membership of 2,436 brings the co-operative total for the county up to 17,082, or more than thirty per cent of the population. The following table shows that the progress in membership - measured in percentage of the population - has been greater in East Lothian than in Scotland generally during the last fifty years, and especially during the last twenty or thirty years. This is mainly due to amalgamation - and the consequent better organisation - of co-operative enterprise in the county.

Table 17. Membership and Population in the East Lothian County and in Scotland, 1901 - 1951

Year	Number of Co-operative members in East Lothian	Percentage of Co-operative membership to the population in -	
		East Lothian	Scotland
1901	3,029	7.8	6.7
1911	4,836	11.2	8.5
1921	6,529	13.8	13.6
1931	10,129	21.4	15.7
1951	17,082	30.8	24.6

Source: Co-operative Statistics and Census of Population for Scotland.

The distribution of membership among the various towns and villages where the Society's branches operate is not known exactly, but it is estimated that more than seventy per cent of the membership do their daily shopping at Tranent and live in that

1. In 1951 the East Lothian County had a population of 52,240. Census of Population.

neighbourhood. It is also understood that the membership of East Lothian comes from all strata of the population.

The policy of this Society is to allow only one member of the family to open a purchasing account and thus become a purchasing member. At the same time other individuals of the family are encouraged to become member shareholders exclusively for investment purposes. Thus we find the register of members comprising two sections, (a) purchasing members (for themselves and their families) of whom there are approximately 12,800 or 85 per cent of the membership, and (b) investing members. This policy is said to have two main advantages: firstly, it reduces to a minimum clerical work on purchases and dividends; and secondly, it encourages the spread of co-operative ideas especially among younger members of the family, so that when they grow up and separate from their elders they are already loyal co-operators.

For the purpose of holding the General Meeting of the members, the wide area in which the Society operates is divided into six districts in each of which a separate general meeting is held, and the will of the members is thus expressed by the combined vote of all six meetings. All members of the Society have the right to attend general meetings without any restrictive conditions for attendance as in the case of St, Cuthbert's Society.¹ The total number of members who usually attend general meetings in the six areas does not exceed 75 on the whole, about one-half per cent of the members. In a quarterly General Meeting, held in the

1. See p.77.

second week of September, 1953, the following was the attendance in the six districts:-

<u>Place of Meeting</u>	<u>Area includes -</u>	<u>Number present</u>
Tranent	Elphinstone and Macmerry	38
Cockenzie	Port Seton and Longniddry	3
Ormiston	Pencaitland and Pathhead	3
North Berwick	Gullane and Dirleton	7
Haddington	Gifford	5
Dunbar	West Barns, East Linton, and Duns and district	7
		— 1
	Total	<u>63</u>

A rule of the Society provides that the quorum for the General Meeting (in each district) is twenty-five members² a condition which is necessarily ignored for practical purposes. The number of members who attend general meetings and show keen interest in the Society's affairs is dwindling. It is also understood that among the members present at the general meetings only a few take an interest in the discussion and business of the meeting and they are always the same handful of individuals. This alarming apathy on the part of the members has been disturbing the directors for some time. Five years ago the system of district representation on the board of management was introduced in order to combat it, but the experiment has failed to stimulate local

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1. Out of the 63 present at the General Meeting referred to there were 23 employees of the Society.
 2. Rules of East Lothian Co-operative Society, Ltd., Register No. 1184R., East Lothian, Rule 57, p. 19.

interest: one of the suggestions now under consideration is to reduce the number of districts from six to three. This, in the writer's view, is not a remedy for the existing problem - the indifference shown by members towards their Society. It cannot be claimed that the number present represents in any manner the general body of members, as less than 0.28 per cent of the members (excluding the employees present) take the trouble to attend. A General Meeting in which only three of five members attend cannot be regarded as expressing the will of more than a thousand members. Nor can it be argued that they do not bother to discuss the Society's policy because they are satisfied with its management. The fact that the Society's membership is spread over a large area and that the head office appears to be geographically remote may partly account for the present lack of interest. It is not likely that members in places far from the centre where all social and cultural activities are conducted would take a lively interest in such matters. It has been mentioned to the writer that the fusion of the five societies into one has undoubtedly resulted in the present passivity of the members.

General meetings are held half-yearly in April and October in the six district areas already mentioned. The business discussed in all districts is identical with that given in the case study relating to St. Cuthbert's. Indeed, the account given of the meeting of the latter applies almost point by point to that of the East Lothian Society. There is the same brevity in the committee's report and the minutes of the board meetings, and the

same complexity in the statement of accounts with the absence of any important topics raised during the meeting whether on the report or on the accounts presented. There are no elections for the directors' positions, since there is always only one nominee for each vacancy, the appointment to which is thus secured and legalised by the meeting's formal confirmation. The same applies to delegates to the Wholesale Society meetings or to representatives to other co-operative bodies. A good sign of the interest shown by some of the members, however, is the nature of the questions raised under 'general business', such as - prices in certain departments, shopping facilities at new housing areas, and services provided by the mobile vans. Such questions bring to our notice the issue of democratic supervision. From the members' marked apathy and indifference to attending the Society's General Meetings, the impression is gained that there is no democratic control by the members. But if supervision is taken as applying to the ultimate aim rather than to the means by which the right of control is exercised, its nature may be judged by the complaints that come to the management from the members in connection with prices and service. This may be considered as effective membership control, the purpose of which is to secure efficient service from their Society.

2. Organisation and Management

The management of the Society is vested in a Management Committee composed of the President, Secretary, Treasurer, and twelve committee members, all of whom, except the Treasurer, are

elected by the general body of members. The Treasurer's office is held by the General Manager who is appointed by the Committee of Management. Thus in this Society we find that the General Manager is himself a member of the Committee in his capacity as Treasurer.

The system of area representation is observed in the election of Committee members: five from the Tranent area, one from each of the Cockenzie, Ormiston and North Berwick areas, two from both the Haddington and Dunbar areas. The Chairman and Secretary are appointed by the combined vote of the six districts.

The fact that the General Manager is a member of the Board throws a new light upon the relations between himself and the Committee on the one hand, and himself and the management staff on the other. Employees of the Society are not eligible for election to the Committee, and the General Manager is therefore the only liaison between the Committee and the staff. He is, moreover at the top of the managerial ladder. The position here is not very different from that existing in private trade undertakings where the managing director is himself a member of the Board. The main difference, which is important, lies in the functions exercised by the Board and the authority assigned to the General Manager. Among the topics discussed and decided upon by the Management Committee in their weekly meetings are the letting of house property of the Society, the appointment of delegates to various co-operative bodies (as representatives of the management), the approval of opening credit accounts to members, the consideration of proposed

wage increases from the District Wages Board, and the appointment of new employees. The General Manager gives a report of the progress in the shops and the productive departments. Aggregate sales figures in the various shops are given, and any irregularities are explained and discussed in the meeting. Surplus and wage rate figures are given to the Committee only on balancing meetings i.e. half-yearly. This seems too long a period for checking the efficiency of the various shops, since mere sales figures cannot be taken as indicative of efficiency in operation; but the Committee seems to be satisfied with the arrangement. Matters of organisation, opening of new shops and ventures in new lines of trade are decided upon by the Committee. Usually a delegation from the Committee takes part with the General Manager in putting such decisions into practice, e.g. a visit to the proposed site may be arranged by two members of the Committee with the General Manager. The decision of the Committee members is of vital importance in such matters. Thus the General Manager, before putting forward such schemes, has to be sure that the directors are sympathetic towards them, otherwise, there could be no point in putting the proposal forward at all. Therefore one may justifiably conclude that top management in this Society is shared between the General Manager and the Committee. The Committee is anxious to do things which ought to be left to the management staff. Details of credit allowed to members, for instance, have to be sanctioned by the Committee - a matter which should be left exclusively to the management. Control by the Board could be more effective if they

concentrated on vital matters of policy, such as the trend of wages and its effect on surplus, or development schemes in general.

In its internal organisation, the East Lothian Society is somewhat different from the preceding case study. Here the General Manager is himself the Grocery Manager. Other departmental managers are directly responsible to him. There are not so many functional departments as in St. Cuthbert's, obviously because the Society is not so large. The Transport department, however, occupies an important position because of the extensive area over which the Society operates. More decentralisation is noticeable in the East Lothian Society, as payment of dividend, repayment of credit, withdrawal of capital and other similar matters can all be made from most of the Society's shops. Each shop-manager in the East Lothian Society carries more responsibility than the ordinary shop-manager whose central office is not far away; the former has more authority in buying certain goods from the local dealers; legal matters may arise that need his immediate decision; in short he is the only representative of the Society in the area in which his shop operates. This decentralisation if carried too far, is bound to give rise to new problems; lack of co-ordination or irregularity in prices may result. The need then arises for more contact between the central administrative office and the shop-managers.

Nearly all the 700 employees of the Society are members. Their attendance in the General Meeting is rather disappointing. In the General Meeting referred to above there were only

twenty-three employees. It is understood that in the main they do not attempt to exert any undue pressure on the meeting's decisions, but, of course, they use their voting power in the election of office-bearers. It is through this channel, that is, the election of directors, that the labour force try to influence the management. Members of the Management Committee are trade union sympathisers, and this sympathy is reflected on decisions relating to matters of employment and wages since the Committee is the only body concerned with labour relations at all levels. The writer had the impression from conversations with officials that the Committee is rather lenient in this field and that this attitude in itself tends to make the General Manager and all members of the staff very careful and rather hesitant in taking a decision against any of the employees. The General Manager for instance, cannot dismiss or demote any employee; for this matter a decision of the Board is necessary. The only way open to the General Manager in case of a grave irregularity, e.g. shortage of cash, is to suspend the employee and refer the matter to the Board at its first meeting. The employee concerned often gets access to the members of the Management Committee and explains his side of the case. If the Board, for any reason, disagree with the General Manager's views, the latter finds himself in an awkward position when the employee is reinstated against his judgment.

Thus we find ^{that} although employees are not allowed to sit on the Committee of Management, either as representatives of their

fellow employees or as representatives of the general membership, they have, nevertheless, a marked influence on the management. Nothing is known of any attempts from employees to get representation on the Management Committee or to form their own consultative machinery, and this contentedness on their part is not surprising, as they already exercise influence in the manner indicated.

The effect of this policy on the employee's efficiency must not be overlooked. The employee who knows the complicated procedure necessary to support an action against him is liable to bank on this complexity. On the other hand, efficient employees who find that they are poorly rewarded for their ingenuity and initiative are likely to seek better rewards elsewhere. The sense of security gained by this whole set-up is bound to result in slackness of effort and a decline in efficiency.

3. Personnel Matters

The East Lothian Society had, in 1951, 701 employees on its employment roll, with a wages bill amounting to £198,976. As in St. Cuthbert's, selection of employees is made from among the members' families, though there is no specific mention of this condition in the rules. This is an accepted tradition, the idea being that the employee is expected to sell the co-operative principle to the customer, and that to do so he should believe in these ideals. Whether employees so selected do actually attempt to make good co-operators out of the customers may be doubted, and the meagre attendance of the employees themselves

at General Meetings further discounts the theory.

The Society recruits boys at school-leaving age for its junior jobs. The selection is made in collaboration with the local schools, which are informed of the number of vacancies in the Society, and candidates are interviewed by a delegation of the Committee of Management. Under pre-war conditions there was a flow of applicants much greater than the number needed by the Society, and the East Lothian Society is still not feeling the common shortage of manpower. This is due to the good reputation the Society enjoys in the locality as regards wages and conditions of work. Thus we find the Third Statistical Account of Scotland, East Lothian, commenting on the employment position in Tranent as follows: "Apart from the N.C.B. the largest employer in the parish is the East Lothian Co-operative Society. As it is by far and away the largest distributive agency it holds a commanding position in the life of the town, and by its various activities makes its influence felt to a degree not known in other parts of the county... Between production and distribution the 'Store', as it is generally called, has 400 employees in Tranent".¹

The employment of women is not favoured by the Society though it had to engage them during the war, and at present there is a small number in the Drapery Department.

For senior jobs a policy of recruitment from within is pursued. At present almost all the senior staff have had all

1. p. 184.

their previous working career with the Society. When there is no suitable candidate in the Society, the vacancy is advertised in the Co-operative Press and usually a man with a co-operative background is selected. An interview is usually arranged with the applicant by the General Manager and one other member of the Management Committee, but the appointment of the candidate is subject to the approval of the Committee. It is interesting to note that for technical jobs, e.g. that of radio electrician, the Society may ask the advice of the S.C.W.S., which sends an expert to direct the interview in the presence of the General Manager. This is undoubtedly one field in which the Wholesale can give valuable advice to the small retail society.

The East Lothian's policy with regard to education and training of employees - like that of St. Cuthbert's Society - is to encourage further study by paying fees and granting scholarships.

Trade union membership is a condition of employment with the East Lothian Society and national wage agreements between the Co-operative Movement and the trade unions are strictly followed.

Promotion and any increase in wages take effect on the recommendation of the employee's supervisor and after endorsement by the General Manager. The progress of the employee in his continuation classes and his record of work have a bearing on the matter, but the final decision in such matters, like decisions on demotion and dismissal, is in the hands of the Management Committee. The procedure followed makes it difficult to demote

an employee and perhaps impossible to dismiss one. It may be justifiably said that 'if it is easy to find a job with the Co-operative, it is easier to stay there'.

As in many other co-operative societies, the East Lothian Society has its own superannuation scheme; this has been in operation since 1935 for the benefit of employees who reach the age of 65, and consists of a fund to which the Society and its employees make equal contributions.

4. Trading Practice

At various points in the Third Statistical Account it is mentioned that the East Lothian Society is by far the largest distributor in the county, and that the Society's shops are up-to-date and cater for almost every sort of need.¹ In Tranent the Society has twenty distributive shops as well as a works department, a cobbling workshop, a sausage factory, a cooked-meat factory, a creamery, and a tea-room. Other private trading shops in the parish amount to 25 and 'they have generally a lower individual turnover than the corresponding branches of the Co-operative'. Many of the inhabitants of the county go for their shopping and entertainment to Edinburgh, which is within easy reach. The appeal of the co-operative shop to the members helps to draw them away from the near-by shopping centre and contributes to the higher turnover.

Mobile shops are used extensively; it has been estimated

¹.pp. 123-124, 184, 241, 311 and 392.

that half the trade of the East Lothian Society is carried on through mobile shops or van delivery. Sometimes a journey as long as forty miles is made to reach customers in remote areas. This indeed is a valuable service rendered by the Co-operative Society to its members. Self-service shops, on the other hand, are not used; the reason given is that 'no need arises for them' and that the number of customers is never so large as to justify the transfer of shops to the self-service type. It is difficult to accept this explanation at its face value. The self-service shop is first and foremost a labour-saving device, and hence a more economical distributive channel. Nor does the fact that it appeals to the customer by saving his shopping time imply that it serves no useful purpose except where there are queues; indeed, it may be all the more valuable in the absence of queues, since the manpower is not being used economically. The Society's fear of arousing the latent resistance to labour-saving may well be the most potent factor in its rejection of self-service shops.

As to the progress in new trading ventures, the same comments as in St. Cuthbert's were heard from the officials; the Society could have entered new fields but for the conservation of the Committee members. A continuous attempt to save the dividend stands in the way of progress. One noticeable development is the trade done with the local schools and hospitals, particularly in milk and bread. The East Lothian Society is, moreover, one of the few societies in Great Britain to make a success of farming.

More than one thousand acres in arable land and market gardens is owned and run by the Society, and its success in this field may be attributed to experience gained over more than thirty years, the relatively good farming conditions in the area, and the nearness of the farms to the administrative centre.

Dividend is paid on all purchases and the Society is against resale price maintenance. The writer has been told that manufacturers who have been practising a price maintenance policy have in recent years relaxed their control to the extent that trading is done in these same commodities without regard to the specified restrictive practices.

The Society at present (1954) pays a dividend of 1s. 9d. per £ sales as against 1s. 11½d. in 1951. This decline is due to such general causes as the low margins obtaining in most of the trade lines ~~and price control imposed by the Government~~. The East Lothian used to be one of the societies paying the highest dividends, until, in 1936, the dividend was deliberately cut by 1 6d. (from 3s. to 2s. 6d.) in order to reduce prices.

Credit trading is allowed to the members on the three systems mentioned in the case of St. Cuthbert's Society. Open credit accounts are allowed to members to the full amount of their share capital; club trading is allowed only for dry goods, and it is very popular among the members; but the amount of credit allowed to the member on the club system does not exceed the total sum

1. This move was apparently not popular. At the first meeting after its adoption a motion against its continuation was rejected by a majority of only one vote. Scottish Co-operative,

of dividend due to him on his purchases. Trading on hire-purchase depends upon the member's past record with the Society, in respect of his previous purchases and payment of instalments. It is interesting to note that the interest charged on goods purchased on this system is 12 per cent; the whole interest item is repaid to the customer if the debt is paid within a period of six months, $7\frac{1}{2}$ per cent is returned if the payment is made within a year, and 5 per cent is returned if the debt is paid within a period of 18 months. A great deterrent to the popularity of the hire-purchase system has been the statutory condition of paying one third of the value of goods purchased in cash, but this limitation has now been removed and it will be interesting to see what effect this change will have.

Nothing spectacular is done in the way of advertising the Society's trade and services. In fact, the nature of the country people and their shopping habits would hardly justify any elaborate advertising. The Society is quite a well-known feature in the county's small towns. Some effort should, however, be made to stimulate trade in dry goods, and no investigation in this field has so far been done.

The East Lothian Society obtains almost 85 per cent of its purchases from the S.C.W.S. This is a rather high figure and there is undoubtedly a strong element of loyalty to the Wholesale. One official said; 'We try to push S.C.W.S. goods to the customer'. It is understood that a slightly lower mark-up is applied to the Wholesale goods than to other manufacturers', the idea being to

encourage trade in co-operative goods. Because of the size of the Society the officials consider that no effective control can be exercised on the trading or productive policy of the Wholesale. The East Lothian usually sends six delegates to the Wholesale's quarterly meetings, two from the Management Committee, the General Manager, the Chairman, and two members.

No enthusiasm is shown for projects organised on a federal basis. In 1937, for instance, the Society's bakery was destroyed by fire and an attempt was made to begin a federal bakery with neighbouring societies, but nothing came of it. The fact that the East Lothian Society already covers a wide area and its attempt to be self-dependent discourages any federal action.

half time or great. This is one of the general problems of Scotland and the Co-operative Movement has a strong hold there. A considerable proportion of the membership, however, rely on the Society's provision of one or two commodities only, such as bread and milk. It is estimated that more than eight per cent of the population buy their milk from the co-operative society, and that ten per cent of the membership of this Society are non-purchasers. There is no provision in the rules for members who purchase little or nothing, but it is possible to be an active member except in so far that (a) they are entitled to vote at the Society's general meetings, the last being held on 12th May 1938. Previous year, were entitled to vote. (b) to order to receive

1. Among the first things the Society did was to open a new branch at 11, 12, 13, 14, 15, 16, 17, 18, 19, 20, 21, 22, 23, 24, 25, 26, 27, 28, 29, 30, 31, 32, 33, 34, 35, 36, 37, 38, 39, 40, 41, 42, 43, 44, 45, 46, 47, 48, 49, 50, 51, 52, 53, 54, 55, 56, 57, 58, 59, 60, 61, 62, 63, 64, 65, 66, 67, 68, 69, 70, 71, 72, 73, 74, 75, 76, 77, 78, 79, 80, 81, 82, 83, 84, 85, 86, 87, 88, 89, 90, 91, 92, 93, 94, 95, 96, 97, 98, 99, 100.
2. The East Lothian county covers an area of approximately 200 square miles and its population in 1931 was 17,000.

Case Study 111.Dunfermline Co-operative Society Ltd.1. The Society and its Control

This Society, which was established in 1861, operates in a mining and industrial area.¹ In 1951 the Society had a membership of 22,555, drawn from all strata of the community, but with stronger support from the working classes. Half of the members belong to Dunfermline and the rest are from neighbouring towns and villages, constituting in all an area covering some 150 square miles. The area is a little more than half the area of the East Lothians county, yet the number of members is one and a half times as great.² Fife is one of the densely-populated areas in Scotland and the Co-operative Movement has a strong hold there. A considerable proportion of the membership, however, rely on the Society's provision of one or two commodities only, such as bread and milk. It is estimated that more than eighty per cent of the Dunfermline population buy their milk from the co-operative society, and that ten per cent of the membership of this Society are non-purchasers. There is no provision in the rules whereby members who purchase little or nothing can be induced to become active members except in so far that (a) in order to attend the Society's general meetings, the members' purchases, during the previous year, must amount to £10; (b) in order to receive

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1. Among the flourishing industries in this locality are fine linen and silk weaving factories.
 2. The East Lothian county covers an area of approximately 267 square miles and its co-operative membership in 1951 was 17,082.

payment of the full amount of interest on share capital the member's yearly purchases must be £10 or more; otherwise the interest is paid at the rate paid on loan capital.¹

General meetings are held quarterly, the business discussed being similar to that in the previous cases examined. The meeting usually lasts for three-quarters of an hour and is attended by approximately three hundred members. Discussion and criticism at the General Meeting do not cover any important points in respect of the business matter of the meeting but one comes across many complaints about prices or service which, according to the rules, should be brought first to the attention of the management and then come before the Board. If the critical member is still not satisfied, he can appeal to the General Meeting. But with the desire of certain members to say something at the meeting, as a means of getting known by the members generally, they choose to put forward some complaint, they have heard, directly to the meeting. Among the complaints frequently raised by members is the inconsistency of prices in the various shops, and the dilatoriness of the management in pushing its sales of co-operatively produced goods. Purchasers from the Co-operative Society feel that they are entitled to greater satisfaction from the 'Co-operative' than they get when they buy from other shops. In the latter shops, if they are not satisfied with the quality or price, they leave the shop and go elsewhere; but with the Co-operative they know that they can complain to the management or at the meeting, and it

1. Rules of the Dunfermline Co-operative Society Ltd., Register No. 11R, Fife, Rules 21 and 38a.

is to the members' interest to have things put right. The customer here has a different attitude towards the shop and because of this, democratic control is thought to be effective.

Fluctuations in dividend in this area attract the interest of members and a reduction in the rate may bring an additional 100 members to the General Meeting. It is true that members are nowadays not so much alarmed by a penny reduction, but they are co-operatively-minded and they think of the efficiency of their Society in terms of the dividend rate.

2. Organisation and Management

The management of this Society is vested in a Committee of fourteen members, including the President and the Minutes Secretary. All are selected by the members for a period of one year. The Managing-Secretary though not a member of the Board, attends all meetings of the Board and its sub-committees. The relations between the Managing-Secretary and the Board in this Society are somewhat different from those obtaining in the previous societies; here the chief executive, though not a member of the Board, considers it his right to attend all its meetings, to take part in the discussions, and to hold himself responsible for the progress of the Society. In his opinion a distinct and clear line should be drawn between the responsibilities of the Board and those of the Manager, so that there may be full scope for the latter's initiative and talents. The Committee understands well that management is not their business, and that they should only formulate policy and see that it is

carried out. So long as the business runs smoothly, they need not interfere, but if they feel that all is not well, then it is their duty to enquire and investigate. Thus we find that the Managing-Secretary's report to the Committee includes information about sales (aggregate in all departments) showing a comparison with the corresponding period in the previous year. No reference is made to wages, cost, or other expenses in the various shops, although these are prepared in considerable detail for the management's own use. The only check that the Board is able to make from the information it receives is a comparison of the amount of leakage from each of the mobile shops. This information has been supplied to the Board for a long time but without any action ever being taken. As has been mentioned earlier, the Board rely in such matters on the management, and institute inquiries only if 'something goes wrong'.

The various sub-committees meet departmental managers weekly and discuss with them their departmental reports. Managers may make their own proposals directly to the sub-committee, but with the approval of the Managing-Secretary. In important questions the Managing-Secretary himself may discuss the matter with the sub-committee. The fact that the Managing-Secretary can attend all meetings of the sub-committees makes him conversant with the business of the Society and prevents any short-cuts from the Board or the sub-committees to the departmental managers without his knowledge and approval.

Employment by the Society does not disqualify a member from

being eligible for nomination and election to the Board. This condition has been included in the Society's rules only since 1947 and was embodied as the result of a demand from the employees for representation on the Board. A general body meeting decided that the number of employees on the Board should be limited to two and that they should be elected by a general body meeting as ¹ representatives of the general membership of the Society. The present two employee-directors are a Grocery branch manager and a fruit-van-salesman. It is understood from officials of the Society that these two employee-directors benefit from their trade experience and on many occasions enlighten the other Board members on relevant matters. The position in this Society can be compared with that in St. Cuthbert's in that on each Board the employee-directors hold executive positions in the Society and thereby are of considerable value on the Board. But whole-hearted co-operation between the employee-directors and the rest of the management in this Society is not apparent. Certain personal conflicts arise and hamper good relations between the Managing-Secretary and the employee-directors. It has been suggested, for example, that one employee actually attempted to be appointed a director in order to challenge the authority of the Managing-Secretary. In such an atmosphere it can hardly be expected that co-operation between the two parties could exist, and it is this danger that one must always guard against in employee-representation on the Board, for out of

1. Register No. 11R., Rules of the Dunfermline Co-operative (Fife), - Society Ltd., Rule 34, p.42.

this non-co-operative spirit the interests of the members may well be damaged or neglected. It is understood, however, that employee-directors do not show any particular bias in their attitude to better wages or improved conditions for their fellow employees.

3. Personnel Matters

The Dunfermline Co-operative Society makes it a condition of employment that employees become members of their trade unions. National agreements are strictly observed and agreed rates of wages are actually paid except in the case of salesmen in fruit and grocery vans, where an extra bonus is paid to salesmen according to their sales. Recruitment of labour is made from boys and girls of school-leaving age. A written examination, followed by an interview with the Managing-Secretary is the usual procedure for selection. Employees are advised to further their education in co-operative and other general subjects. By arrangement with other societies in the district, classes are held at Cowdenbeath and Lochgelly. Employees may also attend evening continuation classes arranged by the public education authorities where courses on co-operation, book-keeping and salesmanship are organised. An interesting experiment has been carried out successfully by this Society for training employees in salesmanship. A model shop is set up complete with fittings and equipment, and two trained salesmen in grocery and dry goods who have qualified at the Co-operative College at Loughborough give instructions to small groups of employees on salesmanship and service to the members. This is a three-day course in which twelve employees are trained

at one time. The idea was originally put to the test by the Fife & Kinross District Council, but it failed to satisfy all societies in the district because the classes were too small to train the employees without a considerable delay in time. The Dunfermline Society as well as other societies in the district therefore started their own training projects.

Promotion and demotion are the concern of the Managing-Secretary, with a right of appeal to the Board, and, failing satisfaction, the employee can appeal to the General Meeting. Cases of appeal to the Board are very rare.

No joint consultation machinery is in operation but there is an "Employee Welfare Association" organised by the employees which is confined to recreation and sports activities.

With regard to the appointment of officials and managerial staff, the Society applies a policy of promotion from within. Appointment of managerial personnel is the prerogative of the Board on the recommendation of the Managing-Secretary.

4. Trading Practice

The Society deals in the usual co-operative lines of trade, and it has in all 82 sales points of which there are 24 grocery shops, 20 fleshing shops, and 9 drapery stores. A new practice adopted by this Society is its speciality shops, such as jewellery, tobacco and gift shops. In the field of production the Society operates a creamery, a bakery and a works department. The Society is a member of the United Co-operative Baking Society

which supplies all its bread requirements, but 'smalls' are made at the Society's own bakery. Comparing the distribution of the Society's trade among the various departments it is worthy of notice that the proportion of trade in Drapery and Fleshing is higher than that in the East Lothian Society.

Hire-purchase facilities are offered to members and mutuality club trading is also in operation. It is estimated that more than ten per cent of the Society's sales are carried on by these two methods.

Pricing of goods is the work of the departmental managers who are themselves the buyers. There is no special treatment of S.C.W.S. goods as compared with those of other manufacturers; in fact, it is felt that there is not much freedom in pricing co-operative products since many of these have now a fixed price. The Society claims that its prices are competitive and that they are comparable to prices charged by other traders in the area, but the Society's relatively high rate of dividend - 2s. 6d. in the £ - suggests that higher prices are being charged. Nevertheless its success in trading lines other than grocery may be a good reason for the higher surplus.

The Society, however, may be considered as a leading concern among retail traders in the locality and may thus have an influence on the price level obtaining in that area.

The "Fife Federal" is a federated society in which all societies in the district, with the exception of Dunfermline,

participate, and it is engaged in the manufacture of ice-cream for the local societies. The scheme does not show any sign of success because, as the Dunfermline Society anticipated, the demand of the local co-operative societies is not sufficient for its economic operation. It is termed a country town. It is situated in the middle of an agricultural country and consequently it is the centre of a large traffic in cattle and agricultural products. It is a marketing town famed for its world market in cattle. Moreover, Perth serves as a big railway centre, and also manufactures carpets and dyss. Its inhabitants are mainly composed of railway and factory workers as well as landowners.

The City of Perth Co-operative Society had in 1931 a membership of 11,702. It covers Perth and the surrounding towns and villages and has branches at Scope, Stanley, Almond Bank and Pinkie. It is impossible to determine exactly the population of the area served by the Society or the number of members drawn from each village. It is estimated however, that out of the population of Perth, which was 40,000 according to the 1931 census, 9,000 were members of the Perth Co-operative. Thus 22 per cent of the inhabitants of Perth have joined the Co-operative Society, or on an alternative assessment - 51 per cent of the households. Moreover, it is said that the proportion of membership to the population is higher in the surrounding villages than in Perth itself.

The membership is drawn mainly from the industrial working classes, particularly railway employees. Even in the country villages a very small part of the membership is farm workers.

Case Study IV

The City of Perth Co-operative Society Ltd.

1. The Society and its Control

Perth can justifiably be termed a country town. It is situated in the middle of an agricultural county and consequently it is the centre of a large traffic in cattle and agricultural products. It is a marketing town famed for its world market in cattle. Moreover, Perth serves as a big railway centre, and also manufactures carpets and dyes. Its inhabitants are mainly composed of railway and factory workers as well as landowners.

The City of Perth Co-operative Society had in 1951 a membership of 11,782. It covers Perth and the surrounding towns and villages and has branches at Scone, Stanley, Almond Bank and Dunkeld. It is impossible to determine exactly the population of the area served by the Society or the number of members drawn from each village. It is estimated however, that out of the population of Perth, which was 40,500 according to the 1951 census, 9,000 were members of the Perth Co-operative. Thus 22 per cent of the inhabitants of Perth have joined the Co-operative Society, or on an alternative assessment - 51 per cent of the households. Moreover, it is said that the proportion of membership to the population is higher in the surrounding villages than in Perth itself.

The membership is drawn mainly from the industrial working classes, particularly railway employees. Even in the country villages a very small part of the membership is farm workers.

Co-operative Shops are still 'taboo' for certain classes except for their deliveries of milk and bread on the door-step.

The Society's constitution gives power to the Directors to suspend the membership of consumers whose purchases are less than ten pounds per half-year. For the same reason given in the first case-study this rule is not strictly applied, investment being these members' main motive for joining the Society.

In 1951 a survey was made to investigate the composition of the Society's membership. A sample of one thousand was analysed and it was found that seventy per cent were women members purchasing their household requirements, and the other thirty per cent were composed of either joint members of the same family or non-purchasing investing members.¹ This is actually a larger proportion of non-active members - members who do not purchase their own household requirements from the Society's shops - than is generally believed.² No dangers are apprehended from this, but the numbers of such joint or investing members must be excluded from the aggregate membership figures, especially when membership is related to trade.

At the Society's general meetings attendance usually ranges from a hundred to one hundred and fifty members, or approximately one per cent of the membership. This attendance consists mainly of members of the local branch of the Women's Guild, which has a marked influence on the Society's management and of the

1. This survey was actually undertaken by the Society and the information presented was supplied by the interviewed official of the Society.

2. See p. 31.

employees. It is noted that there is no variation in this selected sample of keen members who are usually present at the General Meeting or even those who take part in the business of the meeting. This is equally true when speaking of the candidates for directorship positions or for selection as delegates to other bodies. However, attendance at general meetings increases on the occasion of the election of Committee members. When the meeting is concerned with the election of an employee-director, the attendance of employees increases considerably. The marked apathy of some members and the high percentage of absenteeism from general meetings may be due to the fact that they live at distant places from the centre of the meeting.¹ The application of the method of area meetings used by the East Lothian Society might enable the Perth Co-operative to overcome that difficulty, but the number of members living in distant places is too small to justify the adoption of that system. The meeting itself is not attractive to the ordinary member, since it is run in the ordinary formal manner and the problems discussed are of little interest to him. It may be worth while to consider how a change in the form of the general meeting will affect the attendance of members. Neither the Directors nor the managerial staff are, however, keen to change the present conditions; in other words, "they would not like those 12,000 members to take charge of their duties as active bosses". The Committee feels safer while the status quo is

1. Some villages, e.g. the village of Clunie, are twenty miles out of Perth. This distance is so considered because of the difficulties of transportation in that part of the country.

maintained.

Quarterly general meetings are held in the months of March, June, September and December. The business of the meeting conforms to the usual lines. The report given to the meeting constitutes a summary of the trading conditions in each department with a general statement about the increase in the membership. The half yearly Balance Sheet contains details for each of the shops operated by the Society, and detailed information is given about stock, goods received, sales, debts, and cash in hand. In the General Manager's view the amount of information disclosed in the Balance Sheet is excessive and perhaps injudicious since it can be useful to the Society's competitors. This view is understandable: no corresponding figures are available in respect of private trade; and the General Manager feels that far more information is being given than is required by the members for the purpose of checking efficiency. In view, however, of the meagre use made of such information at the general meetings, one feels that the management would be well advised to be less frank in its disclosure of trading facts and figures. This, however, does not imply the complete cessation of releasing such information between the Society and other traders through a suitable channel, as the results of exchanging such knowledge can be of great benefit to both private and co-operative enterprise.

It is interesting to note that members' complaints on matters of prices or supplies, either through the management or directly

at the general meeting, are not uncommon. Prices may be reported to be higher than those obtaining in private trade shops or it may be stated that certain goods are out of stock, particularly near stock-taking time.

2. Organisation and Management

The City of Perth Co-operative Society is run by a Board of Directors comprising twelve members, including the President and the Secretary, all of whom are elected by the General Body of Members. The present Board includes five women directors: this clearly reflects both the interest and the influence of the local branch of the Women's Guild in the business of the Society.

As in the cases already reviewed, the General Manager is appointed by the Board, to which he must report on the business of the Society. The Board is divided into four sub-committees, each of which supervises a section of the Society's business. The sub-committees meet the departmental managers frequently and review the work of their respective departments. A careful consideration of the minutes of the Board meetings reveals the extent to which these sub-committees and, for that matter, the Board as a whole, supervise the Society's activities. For a factual assessment of the degree of supervision exercised, it is of some interest to take a glance at the items mentioned in the General Manager's report and those of the sub-committees' given to the weekly meeting of the Board. The following are the main items included in the various reports submitted to the Board in its meetings during the quarter ending 1st. December, 1953:

1. The General Manager's statement included:
 - (a) the price to be offered for a shop in a neighbouring area;
 - (b) report on interview with a tenant on letting conditions;
 - (c) report on S.C.W.S. and U.C.B.S. for consideration by the Board;
 - (d) report from a member regarding the conduct of an employee;
 - (e) report on District Wage Board meeting.
2. The report of Sub-Committee No.1, Grocery and allied trades, comprised:
 - (a) sales progress in grocery shops and vans, and in other food departments;
 - (b) approval of a proposed visit of branch managers to S.C.W.S.;
 - (c) proposal that a bakery apprentice attend a day-continuation school.
3. The report of Sub-committee No.2, Drapery and allied, included:
 - (a) trade progress in the dry goods department;
 - (b) recommendation that two employees be admitted to the superannuation scheme;
 - (c) recommendation of an increase in wages to agricultural workers;
 - (d) request for hire-purchase.
4. The report of Sub-Committee No.3, Works and allied, contained:
 - (a) creamery sales and schools purchases;
 - (b) statement of workers' engagements in the Works Department, e.g. joiners making rear canopies for vans or engaged on

work for customers.

5. The report of Sub-Committee No.4, Financial, comprised:

- (a) approval of accounts before payment to creditors;
- (b) investment of Society's funds;
- (c) grants;
- (d) recommendations for admittance to convalescent homes;
- (e) purchase of business and property at Errol;
- (f) letting or selling of houses;
- (g) request from a tenant for repairs, and alterations to houses.

It is clear ~~that~~ from the above, ^{that} the Management Committee is concerned with more than a formal supervision of policy matters. Some of the directors apparently have the impression that they are responsible for the actual administration of the Society. One director once said that she would not have management from the top, meaning the General Manager and his staff. Greater emphasis is laid upon matters that have a personal bearing, such as the letting of houses. The writer learns that the Board sometimes spends considerable time arguing as to which of ~~two~~ members shall a certain house be let. A similar, but less controversial, case is that of offering hire-purchase arrangements which must be approved by the Board for every individual transaction. The result of such interference in the actual administration is that the weekly meeting with the General Manager is fully taken up with such trivialities and that matters of major policy are in danger of being

being neglected. The directors would undoubtedly be more effective in exercising control and safeguarding the members' interests if they concentrated more on major policy matters and left the administrative details to the managerial staff.

Meetings between members of the various sub-committees and departmental managers and the consideration of the latter's reports give rise to the problem of the overlapping of authority. The departmental manager finds himself discussing with the Committee members matters for which he is directly responsible to the General Manager. Theoretically all instructions must come through the General Manager, but at such meetings between sub-committees and departmental managers, matters which need prompt decision arise. Orders of which the General Manager may not be aware, or which he may not even favour, may be issued from the sub-committee to the departmental manager. It is understood, however, that on the whole, things run smoothly, most probably because of the co-operation of the General Manager who, though not fully satisfied with the present set-up, adopts the attitude of 'let the Board do as they please'. In his opinion 'he is not given the necessary authority to run the Society efficiently.'

A rule in the constitution of the Society provides that "employment by the Society shall not disqualify a member from being eligible for, and elected to, the Board of Management, but at no time shall such representation exceed two".¹ Only one

1. Rules of the City of Perth Co-operative Society Ltd., op. cit., Rule 19, p.15.

employee-director, however, sits on the Board. Employees of the Society seem to be satisfied with this state of affairs, and they have not tried to exercise fully their right to two representatives on the Board. The present employee-director is a 'night-cleaner and washer' engaged in the Society's garage. He has been, and still is, an active and interested co-operator. He has served at different times as Secretary to the local Co-operative Party branch and to the Education Committee. His part at the Board meetings is, however, not very impressive. He is not the influential member among his colleagues on the Board that one might expect. His opinion could not cause a swing in the cast of votes in a meeting of the Board. This may be due to the minor position he occupies in the employment of the Society which does not give him any considerable advantage in knowing the internal affairs of the Society, and to the fact that being a night worker he is able to make only little contact with other employees. He is not, therefore, in a position to speak with authority on the Society's affairs and has no advantage over other directors, in contrast, as has been shown, with the position of the employee-directors in St. Cuthbert's Association.

From the above account and from the employees' poor attendance at general meetings, one may be justified in saying that they have failed to realise the importance of the constitutional devices available to them to safeguard their interests. It will be seen, however, that these interests are not in any way overlooked since the Board itself which handles

all employment matters is sensitive to labour demands.

3. Personnel Matters

Five hundred and thirty one persons are employed by the City of Perth Society, with an annual wage bill which in 1951 amounted to £148,283. Employment matters are, as has been mentioned above, under the direct control of the Board. Selection of employees is done by the Board in the presence of the General Manager. By a Committee resolution employees must be selected from among co-operative families, and, therefore, all employees of the Society are co-operative members. During the war years and owing to scarcity of manpower, the Society felt the necessity of advertising its vacant posts in the local papers.

Recruitment for supervisory jobs is also done within co-operative circles. An exception to the rule is the appointment to highly technical jobs of outsiders who may be selected if no suitable candidates are found among co-operative officials. A case in point is the position of the Creamery Manager, who was previously employed in private trade.

In the field of training, the Society provides no special technical classes for its employees; but those interested can attend classes on general co-operative subjects organised by the Education Committee in collaboration with the local education authorities. Employees are also allowed to attend evening continuation classes, and, if they show a reasonably high standard of attainment, arrangements are made for them to attend

Co-operative summer schools or courses at the Co-operative College. It is noticed, however, that employees generally are not keen to improve their education. This apathy towards education and training is probably due to the lack of incentives afforded by the wage system to work for promotion and to the indifference alike of the Board and the shop-managers. Evidence of the lack of incentives may be found in the tendency of some employees to leave co-operative employment for private trade in spite of the higher co-operative rates of wages, but perhaps in the belief that better prospects will reward effort and initiative outside the Movement.

Trade union membership is a condition of employment with the Society. This provision was established by a resolution passed by a quarterly meeting, apparently brought up by trade union enthusiasts among the members. The clause has been fully observed in connection with the various classes of employees, but with the present shortage of labour it is sometimes overlooked in respect of temporary assistants.

In its payment of wages the Perth Society applies the scales fixed by the National Wage Agreements and it is thereby graded as "Provincial A". There are cases, however, where employees with extra responsibilities are paid higher rates. The unions attempt to consider the agreement scales as minima. Local wage agreements may be negotiated directly between the retail societies and the trade unions with regard to certain classes of employees, such as cafe and restaurant managers and manageresses. No national

agreements exist for this class of employee since there have been continuous rivalries between N.U.C.O. and U.S.D.A.W., each trying to enlist catering managers and managareesses.

The co-operative wage level, for distributive employees, is generally known to be higher than the level prevailing in private trade, but in spite of this fact it is found that girls would very much prefer employment with a particular Departmental Store in Perth than with any other employer. This Departmental Store has a great appeal for younger entrants to the trade, perhaps because of the better class of customers that patronise it. The employee of to-day, when considering his future employment, obviously looks for something more than his potential pay packet.

Promotion takes effect when a recommendation by the employee's immediate supervisor is considered and accepted by the Board. Employees' purchases from the Society are periodically scrutinised by the Board, to whom a list is submitted quarterly of those employees whose purchases are below a certain level. The employee's purchases from the Society affect his promotion to a higher-paid job. Nothing much can actually be done to dictate to the employee the way he should spend his wages,^{for} any direct suggestion would imply a breach of the Truck Act. Nevertheless, such employees are informally approached and they are given to understand that their "co-operativeness" would no doubt affect their record as good co-operative employees. The writer understands that, although aware of such representations being made to the employees, union officials do not interfere.

The Board also is the only authority that can demote or

dismiss employees, but, nevertheless, such penalties are seldom resorted to. In the last ten years there has been only one case of demotion which occurred in the Butchery Department, where a general decline of sales was noticed. Butchery managers were told that a general improvement of the standard of service and the volume of trade was essential 'if they wanted to keep their jobs', and a Butchery manager whose sales suffered a steep decline was demoted to 'Assistant Butcher' and his wage consequently reduced by 18s.6d. per week. He did not resent this step, knowing that his new job involved less responsibility, which he apparently preferred to a higher wage. Other managers received a warning that they would receive similar treatment if their sales did not improve. Dismissal of employees is also a rarity, and the following interesting case is worth noting in this connection. A few years ago it was decided to join the U.C.B.S. and obtain from it most of the Society's requirements in bread. This made it possible to release four bakers; but these, instead of being dismissed, were kept at their jobs until they reached retiring age. This brings into prominence the general question of compassionate treatment of individuals. Co-operative principles cannot allow the retention of unwanted employees, and the above case illustrates the possible incompatibility of democratic procedure with efficient management. As for the relative efficiency of the Co-operative employee and his counterpart in private trade, there have been few transfers from the latter to this Society, but the writer learns that these

few give proof of a higher standard of efficiency and superior training. As has already been stated, the co-operative employee has no strong drive towards improving his education and training, since wages are regulated either by age or by the volume of sales nor has the branch manager, whose sole interest is to increase sales, any incentive to urge his subordinate to a course, the results of which will not be immediately apparent. The traditional security of co-operative employment is another deterrent to initiative and efficiency.

4. Trading Practice

The City of Perth Co-operative Society has in 1951 a total trade of £1,112,576, or an average per member of £96.7. The Society is engaged in the usual lines of co-operative trade and it runs a creamery and a bakery. A small market garden is owned by the Society and a proposal to extend activities into farming is under consideration.

Because of the great importance of the dividend, the Board is always reluctant to enter into new ventures that involve any risk. In their statement of accounts for the half-year ending 1953, £36,800 was distributed to the members, as dividend, from a disposable surplus which amounted to £40,480.

A substantial amount of trade is done in milk and its products: in the six months ending 31st. October, 1953, sales from the creamery amounted to £139,015, being 19.7 per cent of the total amount of sales. The Perth Society distributes milk for two

neighbouring societies as well as a number of the local schools and hospitals; this explains the satisfactory position reached by its creamery. The Society has altogether twenty-four: 14 grocery out of which six are in Perth, six butchery, two bread and confectionery, and two fruit and fish shops. In addition, mobile shops distribute goods in the surrounding villages. The Society's shops and their window-dressings appear to be above that of the average co-operative shop. From a comparison of departmental trade in 1953 with the corresponding figures for 1938 one finds that striking changes have occurred in the Fruit and Fish Department, where the proportion of trade done has declined from 22.0 per cent to 3.4, while figures of the Creamery Department indicate an opposite trend: the percentage has increased from 2.4 to 19.7 in the period under review. The recent expansion of the Creamery and its success in supplying other societies' requirements explains the upward trend of figures. This example is worth following, and affords a good instance of the co-operation possible amongst neighbouring retail societies. Co-operative activities of this nature can be combined so that the producing plant may work on a more efficient basis through the economies resulting from large-scale production.

Buying and pricing are done by the departmental managers except for perishable goods, which are brought by the shop-managers, and the Society's policy is to charge prices comparable to those paid by private traders. As has been mentioned earlier, complaints

from members are occasionally heard about prices being higher than in private shops or even not uniform as between two of the Society's branches; when the matter is investigated, it may be found that the shop-manager has increased the price on his own initiative. There is no preference in pricing co-operatively produced goods, and usually the same mark-up is added to goods of the same line whether co-operative or otherwise. Since S.C.W.S. produced goods are generally obtained at a lower price, the difference is therefore maintained in retail prices.

The Society in 1951 paid a dividend at the rate of 1s. 5d. per £ sales. The rate of dividend is generally low in this district; it ranges from 1s. 3d. to 1s. 10d. There are only two cases outside this range: Blairgowrie (2,997 members) paid a dividend rate of 2s. 7½d., and Northern Aberdeen (69,752 members) paid a dividend at the rate of 2s. 6d. per £ sales. The latter is a society which is not affiliated to the Co-operative Union and thus is free to pursue a different policy. There are twenty-seven retail societies in the district, eleven of which are S.C.W.S. retail branches paying a uniform dividend at the rate of 1s. 3d. This policy of the S.C.W.S. has produced an effect which must not be overlooked: it has actually encouraged other societies in the district to lower their rate of dividend. Such a measure must be reflected in the price level at co-operative shops. Dividend is actually paid on all purchases except cigarettes and tobacco, on which it is paid only for co-operative products. Like the East Lothian, this Society deals in goods in respect of which a price maintenance policy

is pursued; but because of the relaxation of controls on the part of the manufacturers, the principle of 'dividend on all purchases' can still be maintained.

Credit is offered to members on the same three systems as in St. Cuthbert's Society,¹ but with the important difference that the amount of credit allowed to a member is not made dependent upon his capital holding. The tying of credit to capital is condemned since it penalises the small investor, who has consistently proved the most loyal to the Society; the farm-hands find credit indispensable and desire it for as long as a year. Although farm workers do not form a majority among the members of the Society, the concept of credit trading prevails in the community at large, and the Society's open policy in offering credit is reflected in the figures shown in the following table. Relating the amount of debtors' account to the total of the Society's assets, one finds as shown in Table 18, that ^{in St Cuthbert's} the ratio is 2.7 per cent of the Society's assets, it is as high as 8.1 per cent in the City of Perth Society.

Table 18. Credit and Assets in Three Retail Societies

Society	Number of Members	Debtors for Goods as in Balance Sheet at end of 1951. £	Assets £	Ratio of Debtors to Assets %
City of Perth	11,782	47,782	563,067	8.1
East Lothian	14,646	48,936	871,047	5.6
St. Cuthbert's	91,682	63,563	2,326,825	2.7

Source: Co-operative Statistics for 1951

1. See supra p. 98.

The decision to accept a member's request for a credit account and the limits to which the member can draw goods on credit is left to the shop manager ~~the General Manager~~, who bases his decision upon the member's past record with the Society. This policy of fixing no limit to credit trading and leaving the matter to the shop-manager can easily be maintained in small or medium-size societies, such as the one under review, because there is still a personal relation between the shop-manager and all his customers. Bad debts amount to less than one per cent of the standing credit. Dividend is not paid on goods drawn on credit, and the saving made in this way is expected to pay for the expenses of the system.

No advertising is done by the City of Perth Society except during 'Sales', when a publicity campaign is featured in the local newspapers; but even this is not viewed with favour. The Society's management is of the opinion that the best publicity is good service to the consumer.

The Society obtains on the average 63 per cent of its purchases from the S.C.W.S. This proportion was formerly higher, and dropped when the Perth Society joined the U.C.B.S. and transferred its flour orders. The total amount of purchases from co-operative sources, however, reaches 75 per cent of the Perth Society's requirements. In the matter of buying, quality and price are the sole criteria governing the Society's choice between S.C.W.S. and private trade goods; it desires to obtain - just as the sales

manager, looking to his weekly pay packet, desires to sell - whatever the consumer wants, irrespective of the source. Here, however, it is claimed that the consumer is influenced, and co-operative products are placed at a disadvantage, by the immense sums spent by the private trade manufacturer on advertising his goods.

The enlightened step forward taken by the Society's Creamery in supplying two neighbouring branches is still the only move towards federation or federal trading among the local societies. Recently the Society has joined the United Co-operative Baking Society, which provides all its bread requirements from its Dunfermline bakery, but cakes and 'smalls' are still profitably produced by the Perth Society's local bakery.

Case Study V

Glasgow South Co-operative Society Ltd.

1. The Society and its Control

This Society covers an area extending over the part of Glasgow south of the Clyde, including parts of Paisley and Renfrewshire, up to Rutherglen. Its membership is fairly distributed among all strata of the population although representation is still weak among the very rich and the very poor. The former still think that the 'Co-op' is the place for the working classes whereas the latter depend largely on the small shop round the corner where they make their small purchases according to their needs. The Glasgow South Society has introduced a new type of shop to suit the poorer classes, that is the 'Pantry Shop' where goods are sold pre-packed in small quantities. These shops are spread over the tenement areas and are staffed by female labour.

It is estimated that one fifth of the members are not active, in the sense that their purchases are far below the average. The practice of this Society is to select each half-year one thousand non-purchasing members and send them a photo-copy of a personal letter from the Manager appealing for more support to the Society, a device which has brought response. The rules of the Society, in fact, provide that 'no person shall continue to be a member who does not purchase from the Society to the amount of at least fifteen pounds per annum... and that no member shall be eligible to

attend ordinary or special meetings of the Society who has not purchased to the amount of seven pounds, ten shillings, for the last completed half-year.¹ The Rule is applied strictly for attendance at general meetings. ~~but with regard to the continuity of membership the practice of this Society.~~

General body meetings are held each month except July. The usual attendance at these meetings ranges between one hundred and two hundred members, but there have been cases where important topics under discussion when the attendance has reached five hundred. The general meeting usually lasts for two hours and the business is similar to that mentioned in the previous cases. In the April and October meetings a half-yearly balance sheet is presented to the members. Minutes of the Board meetings are not published with the reports to the General Meeting but a summary of these minutes is read to the members.

This Society can be conveniently compared with St. Cuthbert's Society since it is of a similar size and operates in a large urban centre. The proportion of members attending the meeting to the total membership is 0.2 per cent, which is even less than the representation at St. Cuthbert's meetings. The fact that general meetings are held more frequently may account for this, since some members would choose to attend every alternate meeting or quarterly. On consideration of the points raised and discussed at general meetings one does not find any important criticism or

1. Rules of the Glasgow South Co-operative Society Ltd., Register No.1265 Lanark, Rule 12, p.11.

discussion of the Society's policy.

Complaints about service or prices are usually raised by the members at the general meetings although, according to the Society's rules, they should be put first to the General Manager, then to the Board, with the General Meeting being left as the last resort for complaints.

The Society used at one time to publish the returns of each shop but it was found that such information was used by the Society's competitors to the detriment of its interests.¹ Departmental information is published and is believed to be sufficient for the purpose of checking the Society's efficiency. Any details requested by the members are supplied immediately at the General Meeting.

It is believed that dividend is still an important factor, which is always under consideration by the members. It is considered as a means of saving, and any sudden drop in the dividend is looked upon with suspicion and is taken as a sign of ill-health in the Society's business.

A device introduced by this Society is the so-called "Panel of Members' Delegates", which is composed of forty members elected at the general meetings (ten every quarter), from whom delegates are selected to represent the Society in various other organisations. According to the rules the Society should be represented at meetings of federated and other similar bodies by Directors, Educational

1. It is of interest to note that a multiple firm has shops in most cases next door to the Society's own shops and such information has been of great value to this competitor.

Committee members, and ordinary members selected from the "Panel of Members' delegates". The rules provide that at least one third¹ of the delegates shall be ordinary members. Usually all delegates to other meetings meet in the Society's Board room before their departure for the meeting to discuss and make decisions upon the questions which are likely to arise. Members are bound to vote according to the decision reached by their Society.

2. Management and Organisation

The management of this Society is vested in the Board of Management, which consists of twelve members, including the President, the Vice-president and the Secretary. The Board is divided into three sub-committees with the following distribution of responsibilities:

No. 1. Sub-Committee : Drapery, Boots and Furnishing.

No. 2. Sub-Committee : Fleshing, Dairy, Fish and Fruit.

No. 3. Sub-Committee : Grocery, Coal and Transport.

The General Manager, by agreement with the Board, attends all the Board meetings as well as those of the sub-committees. The Accountant of this Society acts as the second man; he is actually the deputy General Manager and attends the Board meetings in the absence of the General Manager.

Officially the Board is the highest level of management and on it falls the responsibility of controlling the affairs of the

1. Although the Society is entitled to send fifty-one delegates to the S.C.W.S. general meetings on account of its being the largest purchaser, (1954), the usual number of representatives is twenty-five. It is only when vital matters are under discussion at these meetings that the Society sends the full number of delegates to which it is entitled.

Society. In drawing a line between the responsibilities of the General Manager and those of the Board there is a satisfactory arrangement whereby, as the General Manager put it, 'Management is left where it belongs.' The Board is concerned with policy matters, and all suggestions of improvement or alterations usually come from the management first for the consideration of the Board. In matters of organisation, such as entering a new line of trade or opening a new shop, the usual procedure is for the General Manager to put before the Board his proposals supported by all the necessary information such as the potential sales, expenses and surplus. The matter is then discussed by the Board in the presence of the General Manager, and after its approval the General Manager is left to make the necessary arrangements for its application, e.g. in the case of a new shop it is the General Manager who chooses a suitable site and appoints the necessary staff.

The Secretary of the Society, by rule, is responsible for recording the proceedings of all meetings of the Society and for 'the conduct of all the correspondence of the Society and under the supervision of the Directors reports all the general meetings of the Society to the newspapers'.

The Secretary is not a full-time officer of the Society and by arrangement with the General Manager most of his duties are delegated to managerial staff under the supervision of the General Manager. The Secretary is a chartered accountant and is always in close touch with the General Manager for the settlement of any important questions that need his sanction.

With regard to the relations between the various sub-committees and the managerial staff the arrangement is that each sub-committee meets weekly one hour before the Board meeting and, if necessary, interviews the departmental managers who submit their periodical reports. These reports are passed through the General Manager's office and he may take part in the sub-committee meetings if he desires. Decisions on these reports come from the Board and instructions are issued to the General Manager, who passes them on to the departmental managers.

The present General Manager joined the Society in his present capacity twelve year ago, and during this period the above arrangements have been established to the satisfaction of all concerned. In fact, certain points are stated in the contract of the General Manager's engagement, such as his right to attend all Board and sub-committee meetings which he thinks necessary for the smooth running of his business. It is believed, however, that the present good relations between the Board and the Managerial staff depend largely upon the co-operation of both sides and is a matter of the interpretation of the rules and standing orders. A different Board might interpret the rules differently.

3. Personnel Matters

The appointment of employees up to the level of Branch Manager is the responsibility of the General Manager. This duty is, however, delegated to the departmental managers. The engagement of departmental managers and assistant managers is the responsibility of the Board, which acts in consultation with the

General Manager.

Trade Union membership is a condition of employment with the Glasgow South Society. In the selection of employees it is the established practice to appoint candidates from families who make their purchases from the Co-operative. It is believed that this practice was established a long time ago when private employers resented employees who had any co-operative connections. Even when an appointment is made and the new employee is not a co-operative purchaser it is a normal consequence to find him joining the Society as a member, the reason being that he wants to be as close as possible to the institution from which he earns his living and perhaps of more importance, because he feels that purchases of employees are checked periodically, though nothing is openly done in this way by the Society.

Negotiations with the trade unions on local employment matters originate at the General Manager's level, and he delegates further action to the Accountant for office employees and to the departmental managers for other classes of employees.

Matters of national interest are dealt with at Board level. The Society is graded 'Provincial A', and agreed rates of wages are considered as maximum for branch managers and assistant departmental managers, but for other grades below that level, a sales bonus is paid above the agreed rates. Bonus on sales was introduced a few years ago for the purpose of stimulating effort and raising the standard of efficiency. It offers increases in

wages to employees who raise sales without any corresponding increase in expenses. This bonus has brought good results, and the employees themselves are well satisfied with its introduction..

A dividend bonus on wages is paid to the employees at the same rate as the rate of dividend paid on purchases. This practice was in operation in the Pollokshaw Society when amalgamation took place and ever since has been continued by the Glasgow South Society. Dividend bonus is paid on basic wages (1947) basic wage) and is paid annually after deduction of the employee's share in the superannuation fund. It is considered as an increase on wages and the management seems to be in favour of cutting a slice of the trading surplus for payment to the employees. It is understood that in the whole of Scotland only six societies pay such a bonus.

Recruitment for the Society's labour force is made from boys and girls at school-leaving age. The Society has its own training classes for both office and shop employees. Office workers are sent for training with the firms that supply the Society's office machinery; they are also advised to take evening classes with accountancy as one of the subjects. For shop workers a small model shop is set up for training employees in salesmanship and customers' service. This is at present confined to grocery but a similar arrangement for drapery is now under consideration. Moreover, the Glasgow and District Co-operative Conference Association arranges with the local educational authorities for special classes for co-operative employees in co-operative as well

as general subjects.

Promotion up to the level of branch manager is the responsibility of the General Manager in collaboration with the departmental managers. Various factors are taken into consideration, such as service, classes taken and record achieved, time-keeping and conduct, and the employee's record at work. In case of a grievance the employee has the right of appeal to the General Manager and, failing satisfaction, to the Board. Cases of appeal are indeed very rare; in the last twelve years there was only one case and this was settled at the General Manager's level.

The Society has no experience of joint advisory councils and it is not likely that the management would concede such an idea.

In comparing the efficiency of the co-operative employee with his counterpart in private trade the belief of the General Manager of this Society is that he is just as efficient if not of a better standard. Leading firms in Glasgow accept and sometimes prefer co-operative employees because of the better training they have had in office work.

4. Trading Practice

The Glasgow Co-operative Society is well advanced in offering new services to its members. It is claimed that it was the first retail organisation in Scotland to introduce the self-service shops, of which there are at present, eight. Mention has already been made of the 'Pantry Shops', designed to suit the requirements of the poorer districts, which have been introduced by this Society. Recently the Society has introduced a 'dress hire' service.

The co-operation between the management staff and the Board is thought to have overcome the traditional slowness of co-operative enterprise in adopting new methods and techniques and offering new service. Both the President and the Secretary of the Society are qualified accountants, and the Board includes among its members a salesman, an insurance manager, and a factory supervisor. This arrangement has undoubtedly helped to give the Board the business sense necessary for the smooth running of the Society's affairs. In the field of production the Society has a creamery, a sausage factory, and a boot-repairing service.

The Society has no experience in the field of market research. Advertising is carried in the local press, in cinemas, and by posters particularly at 'sale' times.

Credit trading forms a substantial proportion of the Society's sales. One month's credit is allowed in the grocery, fleshing and dairy departments, and three months' in the dry goods departments.¹ Hire-purchase facilities are also offered. Bad debts amount to a negligible amount, about .003.

Departmental managers are responsible for the buying and pricing of goods, and dividend is paid on all purchases notwithstanding any restrictions on the selling price.

Eighty per cent of the Society's purchases are from the

1. Only 5 per cent deposit is needed, interest is charged at the rate of $12\frac{1}{2}$ per cent for the estimated period of payment, which is two years, dividend is allowed on the payment of each instalment; in the event of the death of the purchaser a full receipt for the goods is given to the widow or dependent children without any further payment.

S.C.W.S. and the U.C.B.S. The Society has a loyal membership buying Co-operative goods, and this feature is attributed to the strong hold Co-operative enterprise has in the area.¹

1. Most of the S.C.W.S. establishments in Glasgow and those in Shieldhall are actually within the area where this Society operates, and a large proportion of the employees are members of this Society.

Case Study VIBlantyre Co-operative Society Limited.

Blantyre is a small industrial town in the County of Lanarkshire. At one time there were five collieries in operation in its vicinity but at present there are only two. A new industrial estate has been established close to Blantyre and part of the population in the area is now engaged in construction work; some of the Blantyre inhabitants also travel to Glasgow for their daily work.

The Blantyre Co-operative Society has a membership of 5,720 out of a population of nearly 17,000. The town is mainly populated by working-class families, and practically all the households are supplied by the Co-operative Store. The inducement to become active purchasers is the member's right to receive dividend. The rules provide that, when cash payments for goods purchased during the quarter are below £5, the member is only entitled to half the dividend. This encourages the members to keep their purchases above the £5 limit and at present practically all the members are receiving their dividend at the full rate.

General meetings are held quarterly, when on an average 150 members are usually present, i.e. slightly more than two per cent of the members. Representation of the members in this Society's general meetings is higher than in the previous cases, and this can be attributed to the size of the Society and the smaller area in which it operates. Members are in closer touch with each other and the

area is small enough to enable every member to participate in the meetings. The number of members who attend the general meeting increases considerably when, as the manager put it, "something goes wrong or a rumour to that effect is spread in the town". A definite decline in attendance has been noted in recent years but at the moment neither the management nor the Board consider this as serious. The management does not hold the view that attendance at general meetings can be taken as the thermometer of members' interest in control, but other symptoms must be taken into consideration, such as the complaints that come from members about the service they receive.

Brief information about membership, sales, surplus, and capital is given in the quarterly report. Every quarter a Balance Sheet and statement of accounts are presented to the general meeting; these contain detailed information about each of the Society's shops with regard to sales, expenses, credit and stock. The amount of information presented to the meeting is certainly greater than in any of the previous cases, and it is highly improbable that the members actually discuss any such details, with the result that, as in the Perth Society, the information becomes of greater value to the Society's competitors than to its own members.

The organisational set-up is similar to that in the previous cases: a Committee of management composed of a President, Vice-president, Secretary and nine committee members is in charge of the management of the Society. The Manager is appointed by

the Committee and works under their supervision. The Management Committee is divided into four -sub-committees (1) Grocery and Fleshing; (2) Finance, Property, Drapery and Furnishing; (3) Bakery; and (4) Transport. Each sub-committee, composed of three members, meets weekly and submits its report to the Management Committee. It is noticed that the Manager does not actually attend Committee meetings unless when called for. This, in the writer's view, is not consistent with the essentials of smooth working relations between the Manager and the Committee. The Manager is expected to put into practice the policy drawn and approved by the Committee, and the essence of the Committee's policy cannot be fully appreciated by the Manager without a full knowledge of what goes on in the Board-room. The presence of the Manager at these meetings is therefore necessary. The general impression gained from conversation with officials of the Society was that the Manager though excluded from the meeting plays a substantial role in formulating policy. In the first place his approval to any proposed change in policy is essential because if he is not convinced of its soundness he can defer the matter until the opportunity arises to explain his views to the Committee, and with his specialist knowledge in trade matters he can easily prove his case. Secondly it is understood that, in general practice, new ideas come from the Manager and his staff and not from the Committee. Thus one can expect a healthier discussion of the Society's problems on the presence of the Manager at these meetings

from beginning to end.

One employee of the Society may serve on the Committee of Management as director and the present employee-director is an assistant butcher in one of the Society's shops. His part on the Board is not of great importance and he does not appear to exert any influence on the decisions of the Board either on matters of general management or labour relations.

Management at the top is shared between the Manager and the Committee. In opening a new shop, for instance, the approval of the Committee is essential as a matter of principle, but the Committee does not take any active part in the buying of the shop or the selection of the staff. Shop managers are appointed by the Board on the recommendation of the Manager. The Managers of the central premises, are responsible for the buying and pricing of all the requirements of the Society. Certain goods, however, such as wrapping paper are dealt with by the General Manager himself.

From a glance at the minutes of the Board meetings one finds that the reports of the various sub-committees usually contain routine information about the progress of sales in the various shops, and only in the case of the bakery is an analysis made of expenses. As the Society is small, development matters are naturally very limited.

About 200 persons are employed by the Blantyre Co-operative and in their selection the Society takes into consideration the applicant's co-operative connections: only candidates from

co-operatively supplied families are appointed. It is also a condition of employment that employees become members of their trade unions.

In its wages policy the Society considers the nationally-agreed rates as actual wage rates, except that where additional duties are assigned to the employees an extra bonus is paid. The Society does not seem to be much interested in the working of the wages negotiating machinery organised by the Movement, since it has little or no influence on its decisions. No local agreements actually operate between this Society and the trade unions. Co-operative wages and conditions of work are generally known to be better than in private trade shops. Competition for labour is, however, felt most from industrial undertakings in the criticism that the present wages system lacks incentives to the area. The Society's officials agree to co-operative employees. Wages are directly related to sales, while the latter depend on factors distinct from the employee's efficiency. The location of the shop, the density of population in the area where it operates, the people's financial well-being, competition from other shops, are examples of such factors. The efficiency of the salesman can only be compared if the circumstances under which any given two shops operate are identical. Incentives, therefore, are desirable to reward the hard-working employee, but the Society feels that it cannot offer any extra concessions to its employees since it is bound by the national agreements, and if such increases in wages were offered to certain employees the trade unions will try to rationalise the increase.

The Blantyre Co-operative operates 14 shops distributed thus: Grocery (5), Drapery (3), Bread (3), and Fleshing (3).

In its buying of goods the Society gives preference to the S.C.W.S. from which 80 per cent of the Society's requirements are brought. There is also some difference in pricing co-operative - produced goods which bear a lower mark-up than other manufacturer's.

With regard to goods with restricted resale price the Society sells some of these goods on which no dividend is allowed. This is done as a result of pressure from manufacturers.

Members are allowed to buy on credit goods to a value equal to their share-holding in the Society. Hire-purchase facilities were introduced as recently as December 1953, and the Committee of Management was, in fact, reluctant to approve of it since it was believed that the Society would lose much in bad debts and expenses.

No federal activities actually take place between societies in this locality.

C H A P T E R I V

THE SCOTTISH CO-OPERATIVE WHOLESALE SOCIETY

1. Membership and Control

The formation of the S.C.W.S. by the Scottish retail societies has undoubtedly been the most remarkable event in the historical development of the Co-operative Movement in Scotland during the last hundred years. Through its wholesale activities at the beginning and later by entering the field of production it brought to the retail societies many advantages and enabled them to effect substantial economies in competing with private traders. Before the Wholesale came into being, each society had to stand on its own feet and face severe challenge from many other trading as well as manufacturing businesses.

The constitution of the S.C.W.S. provides that membership shall be confined to (a) societies registered under the Industrial and Provident Societies Act, (b) limited liability societies registered under similar acts, and (c) employees of the Wholesale Society.¹ The general meeting alone has the authority to admit a society to membership. Registration under the Industrial and Provident Societies Acts, particularly before its recent amendment, was by no means a guarantee that the Society was fundamentally co-operative. In practice, however, membership of the S.C.W.S. is restricted to societies which are co-operative in principle

1. Rules of the S.C.W.S. Ltd., Register No. 92 Lanark - Rule 5, p.7.

regardless of the nature of its activities, whether distributive or productive. No geographical limits are fixed for S.C.W.S. membership but there is a generally accepted understanding between this and the English C.W.S. that the Scottish Wholesale does not accept members from England and Wales. The English C.W.S. reciprocally does not enrol Scottish societies.

The S.C.W.S. has a membership of 207 societies, 179 of which are retail societies in Scotland. The rest of the membership comprises agricultural and productive societies with a few other co-operative institutions, having no trading interests, such as the Co-operative Union Limited and the S.C.W.S. Employees Shareholders Association. Five of the Scottish retail societies, amounting to eight per cent of the total co-operative membership in Scotland, are not members of the S.C.W.S. The largest of these societies is the Aberdeen Northern (69,752 members in 1951), which in 1918, withdrew its membership from both the Co-operative Union and the S.C.W.S. in protest against the participation of the Movement in political activities. These societies, however, have not withdrawn their trade entirely from the S.C.W.S. In 1952, for example purchases made by the Aberdeen Northern Society from the S.C.W.S. amounted to £131,057.

As already mentioned in Chapter 1, employees of the S.C.W.S.

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1. The other four retail societies outside the Federation are Dundee Eastern, (25,033 members), Forfar Victoria Coal (976 members), Newburgh P. Baking (703 members), and Forfar East Port Saving (539 members). (List of members supplied by the S.C.W.S. and Co-operative Statistics for 1951).

are allowed to become shareholders and they exercise control through¹ their own organisation, the Association of Shareholding Employees. Between 280 and 290 employees drawn from all ranks of the S.C.W.S. personnel are among its members. The number is dwindling and interest grows less and less, mainly because the thrifty employee is not to be found, with the result that as old employee-shareholders reach retirement age and have to withdraw their membership according to the rules they are not replaced by newcomers. In 1918 the number of employee-shareholders was 675, or ten per cent of the total number of employees, whereas in 1951 less than two per cent of the employees were shareholders. A rule of the Employees Shareholders Association requires that employees applying for membership shall be 'bona fide' members of their local co-operative societies. This Association is allowed to send delegates to the S.C.W.S. general meetings - one delegate by virtue of its being a member society of the S.C.W.S., a second delegate for each additional 150. Thus at present the Association, with a membership of less than 300, is entitled to send two delegates. The Association is governed by a Committee of seven, elected by the members present at its general meetings. These are held quarterly, a few days before the S.C.W.S. meetings, to discuss the business of the coming Wholesale's meeting. In practice, however, interest in attending Employees Shareholders meetings is so poor that the number present does not exceed 7 or 8 and no minutes of these meetings are recorded.

I. Rules of the S.C.W.S. Ltd., op. cit., Rule 24, p.17.

This apathy is partly^{due} to the dispersion of employees in the various S.C.W.S. plants and partly to the negligible role an employee-delegate can play in the meetings of the S.C.W.S., faced as he is by his seniors at work. If there is any incentive to attend the general meetings of the S.C.W.S. it is the 'getting to be known' among the higher officials of the Organisation. On the whole the Association of Shareholding Employees has failed to stimulate their interest in the S.C.W.S.

The Capital of the S.C.W.S. is made up of £3,440,053 in shares and £11,813,404 in loans as shown in the following Table:-

Table 19. Capital of the S.C.W.S. as at 24th January, 1953

		£		£
1.	<u>Shares:</u>			
	(a) Societies			
		100	£1 shares	100
		918,514	£2 "	1,837,028
		317,158	£5 "	<u>1,585,790</u>
				3,422,918
		Owing		<u>18,631</u>
	(b) <u>Employees</u>			3,404,287
				<u>35,766</u>
				3,440,053
2.	<u>Loans</u>			
	(a) Societies - Fixed Loans		713,858	
	(b) Societies - Deposit Certificates		219,605	
	(c) Societies - at six months' notice			
	of withdrawal		9,395,673	
	(d) Societies at call		1,041,773	
			<u>2,444</u>	
				<u>11,373,353</u>
				<u>14,813,406</u>

Source: S.C.W.S. detailed Balance Sheet

1. Originally, each member society was required to pay five shillings in share capital for each of its members, but later it was realised that this amount was short of the capital requirements of the S.C.W.S.; share values were gradually increased to 10s., 15s., and £2. In 1952 the share value was raised to £5, and societies were required to pay up the difference or change their shares.

Membership of the S.C.W.S. entitles the Society to a dividend on its purchases from the Wholesale. Non-members who trade with the S.C.W.S. also receive a dividend on purchases, but at a rate which is half the amount paid to member societies. Before the war the S.C.W.S. was restricted to sell only to members, but this rule was gradually relaxed and the S.C.W.S. is now allowed to sell to dealers from private trade if and when this can be done. A special joint stock company, the Scottish General Products Ltd., has been formed for this purpose in order to conceal the fact that the goods are of co-operative origin so that the traditional unpopularity of co-operative commodities can be avoided.

Democratic principles are observed in the control of the S.C.W.S. Member societies elect the Board of Directors, who take charge of the management of the Wholesale, and report to the general meeting of members which decides upon policy. Voting power is allocated to members in a manner different from that adopted by retail societies: each society is allowed one vote by virtue of its membership plus a number of votes, depending on its purchases from the S.C.W.S.; the society with the highest purchases is given 50 additional votes.¹ Thus we find that in the last general meeting (March, 1954), St. Cuthbert's Society, which had the highest purchases, was given 51 votes. A society which had half the amount

1. Perhaps because of the compression in the wording of the rules, it is stated in some publications that the society with the largest purchases is allocated 49 votes (above the one vote for membership) and not 50 as stated above. (See Carr-Saunders, Florence, and Peers, op. cit., p.143 and S. & B. Webb, op.cit. p.117).

of purchases made by St. Cuthbert's, was allowed one vote for membership plus twenty-five votes in virtue of its purchases. In the general meeting each society is allowed to send a number of delegates equal to the number of votes to which it is entitled. Thus in a recent general meeting (December 1953), all member societies were entitled to send 897 delegates; the number present was, however, 650. The reasons for the absence of so many members' delegates from the meeting varies according to circumstances; overseas societies, seldom send representatives, Scottish societies which are entitled to a large number of delegates may not find the necessary number of delegates willing to attend; other societies particularly those in remote areas, may find it an expensive procedure to send more than one delegate. On the whole, however, it is understood that all the retail societies in Scotland are adequately represented in the general meetings, though not necessarily with their full quota of representatives, and that the attendance usually increases when the balance sheet is being considered or an important change of the rules is being resolved. No important change has taken place in the method of holding quarterly general meetings except that the balance sheet is now presented annually instead of half-yearly. The business of the general meeting usually consists of a formal address from the President; a report from the Board on the business of the Society; appointments and nominations for vacancies on the Board, and for other positions; allocations of shares to applicant societies or employees; approval of grants or charities; and appointments

of delegates to other bodies. The report of the Board on the business of the Society in the preceeding quarter contains a departmental statement of trade embodying a comparison with the corresponding quarter in the previous year, together with an explanatory report from each of the sub-committees, giving an account of changing market conditions, governmental controls and other major developments in the productive departments.

The election of directors does not take place in the general meeting but by postal card vote, so that each society can use the full number of votes to which it is entitled. Nominations are usually invited from the member societies, and nominees must be 'bona fide' purchasing members of a Society member of the S.C.W.S. Usually between four and seven nominations are received for a vacancy. The candidate to be elected must secure an over-all majority, and the electoral process may be repeated for a second or even a third time until one of the candidates secures the necessary number of votes. The Composition of the Board has been¹ fully explained elsewhere. It may suffice to mention here that it is composed of twelve members, including the President and Secretary; all are elected by the members for a period of two years, after which time they become eligible for re-election. The Board is divided into three Committees (1) Finance and Property, (2) Grocery, and (3) Drapery and allied

1. See Carr-Saunders, Florence and Peers, op. cit., p. 150

¹
trades.

The Board meets weekly and discusses reports received from the various conveners concerning matters which have been considered by the Committees in the previous week. Each of the Committees meets at least once a week and interviews some of the managers of departments under its control. The Board is concerned not only with the formulation of policy but also with the day-to-day affairs of management. Most of the duties that are assigned to the Board concern general changes in prices, the appointment of salaried officials, i.e. departmental managers and other chief administrative positions; general wage questions which are negotiated at trade union level; disposal of unprofitable plants; and relations with outside organisations, whether co-operative or capitalist. Development policy is, generally speaking, the sole responsibility of the Board, but it often happens in practice that proposals are put forward by the managers for the consideration of the Board. Similarly, any proposed increase in salaries must be ratified by the Board. The three Committees actually serve as co-ordinating bodies of the various departments under their control and as a liaison between the departmental managers and the Board.

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1. Each Committee is composed of four members, two of whom act as conveners. The functions of each Committee are divided into two main divisions e.g. The Finance and Property Committee has one convener for financial matters and another for property business, while the Grocery Committee divides its work under distributive and productive headings. Each convener presides over the Committee when matters in his province are discussed.

The usual procedure is for each manager of a productive plant or distributive warehouse to submit a periodical report to his appropriate sub-committee, giving details of the volume of trade or production in his department with observations on the general trend obtaining in the trade, proposals for new installations or buildings, increases in salaries and similar matters. Distributive departments present their reports weekly whereas productive departments send monthly statements, including details of the volume and cost of production. Contact between the various departmental managers and the directors is effected only through the latter's visits to the various factories and warehouses. All units in Scotland are visited by the appropriate Committee at least once every quarter, whereas overseas projects are inspected annually. A manager may be interviewed by the Committee at its weekly meeting, when a specific question relating to his department is under consideration.

The internal organisation of the S.C.W.S. has not changed to any great extent since its early days. Departmental managers are in direct contact with one of the three Committees. In the case of productive plants which belong to the same trade, in the sense that they use the same raw material, or produce related products, control is exercised through the manager of the chief plant, who is known as the "first-line" manager, and to whom other plant managers report. All first-line managers are under the direct control of their appropriate Committee, as shown below. A special Committee composed of representatives of the three Committees deals with wages and employment matters.

Committee Supervision1. Grocery Committee

1. Grocery and Provisions - Glasgow and branches
2. Fruit, Vegetables and Tomato Farms - Glasgow and branches
3. Provisions - Enniskillen
4. Milk, Creameries, and Farms - Glasgow and branches
5. Soft Drinks and Ice Cream - Glasgow and branches
6. Fish Curing - Aberdeen and branches
7. Margarine - Blandoch and Whitburn
8. Funeral Undertaking and Motor Hiring - Glasgow and branches
9. Flour, Oatmeal Mills and Agricultural - Edinburgh and branches
10. Tobacco - Shieldhall, Glasgow
11. Chemical Sundries - Shieldhall, Glasgow
12. Productive Grocery Works - Shieldhall, Glasgow and Leith

11. Drapery and Furniture Committee

1. Drapery and Factories - Glasgow and Galston
2. Furnishing, Brush and Leather - Glasgow, Edinburgh and Dundee
3. Shirt Factories - Glasgow and Paisley
4. Tailoring - Glasgow
5. Artisan Clothing - Glasgow
6. Printing, Paper and Stationery - Glasgow and branches
7. Footwear - Glasgow
8. Linen Works - Falkland
9. Hosiery - Glasgow
10. Jute, - Dundee
11. Ettrick Tweed Mills - Selkirk

Committee Supervision (contd.)

12. Furniture Factories - Glasgow and Leith
 13. Bedding - Glasgow
 14. Sheet Metal and Weighing Machines - Glasgow and branches
 15. Linoleum Works - Falkland
 16. Footwear Factory - Glasgow
111. Finance and Property Committee
1. Bank - Glasgow and Edinburgh
 2. Motor Body and Cartwright - Glasgow and branches
 3. Engineering and Electrical - Glasgow and branches
 4. Architectural, Surveying and Works Department -
Glasgow and branches
 5. Transport and Motor Trade - Glasgow and Branches
 6. Landdries - Barrhead and branches
 7. Retail Drug - Glasgow and branches
 8. Potatoes - Glasgow and branches
 9. Catering and Hotels - Glasgow and branches
 10. Contracts - Glasgow
 11. Advertising - Glasgow
 12. Retail Branches - Glasgow and branches
 13. Retail Branches - Dundee
 14. Live-stock, Meat and Sausages - Glasgow and branches
 15. Coal - Glasgow

2. Merchandising

The Scottish Co-operative Wholesale Society has been able to develop a more compact and centralised organisation than the English C.W.S., since the former operates in a smaller area and serves a smaller number of societies.¹ This compactness of organisation is clearly noticeable in the organisation of its distributive centres. Scotland, for this purpose, is organised into three areas, the West, the East, and the North. Societies in the West of Scotland are served from Glasgow, where there are three warehouses covering grocery (established 1868), drapery (1873) and furniture (1882); the East of Scotland societies are served from Edinburgh, where there are two warehouses, one for grocery (1879) and the other for furniture (1898); societies in the North of Scotland are served from Dundee, where there are two warehouses, one for grocery (1882) and another for furniture (1934). Stationery showrooms are situated in Glasgow and Leith, and a boot and shoe department is located in Glasgow. Attached to each warehouse is a number of travelling agents, who regularly visit societies within their allocated area and collect orders. Price lists covering the full range of goods merchandised by the S.C.W.S. are sent regularly to the member societies. The bulk of the trading transactions is done through the Glasgow warehouses,

1. The S.C.W.S. serves a little fewer than two hundred societies, whereas the English C.W.S. deals with more than eight hundred societies.

Co-operative Statistics 1951, op. cit., p.7.

which alone distribute 71.1 per cent of the total value of S.C.W.S. sales; the rest is divided between Edinburgh, which accounts for 21.1 per cent of the total, and Dundee, which distributes 7.2 per cent of the trade.¹ The S.C.W.S. deals in a wide variety of goods manufactured at its own productive plants, as well as goods produced by private firms. In certain cases well-known branded goods competing with co-operative products are merchandised. A point worthy of mention is the system of "invoicing through" whereby manufacturers supply directly to the retail societies, goods on orders received through the S.C.W.S. Of the S.C.W.S.'s trade in 1952, only 30.8 per cent were of its own production, and the rest was obtained from other sources; 51.5 per cent of the total trade consisted of other makers' goods handled by the S.C.W.S.² and 17.7 per cent were invoiced through. Retail societies differ in the degree of support which they give to the Wholesale Society. Among the factors which lead a retail society to buy from the Wholesale are (a) the dividend it receives on its purchases (b) the fact that dealing with one wholesale organisation to which the bulk of the retail society's orders are passed, secures to the retail society an advantageous position in times of scarcity of supplies, (c) the advantage of supporting an organisation in which a large proportion of the Society's capital is invested and (d) the incentive in supporting a co-operative organisation or in other words loyalty to the co-op^{erative} cause. On the other hand, the fact must not

1. Average for the years, 1950, 1951, and 1952.

2. Figures supplied by the S.C.W.S.

be overlooked that both the Wholesale and the retail societies operate in a highly competitive market where many dealers in the same trade offer the best possible terms to attract as many orders as possible. In considering the degree of support given to the Wholesale societies, Carr-Saunders, Florence and Peers make a distinction between the large and the small retail society. The small society, they assert, obtains a higher percentage of its requirements from these sources than the larger societies, mainly because the small society depends on the Wholesale for services¹ which the larger societies can perform for themselves.

An analysis of the purchases of the retail societies from the two Wholesales shows that there is no appreciable difference in the extent to which retail societies, having below 50,000 members depend upon their Wholesale federations. Tables 20 and 21 contain figures of the purchases of 100 English societies and 60 Scottish societies fairly representative of the British Co-operative Movement. It appears that in both cases, retail societies in the first four size groups vary only slightly in the degree of support which they give to the Wholesale societies, the percentage ranges between 71.0 and 72.4 in Scotland and between 68.8 and 70.9 in England and Wales. It is only with societies having a membership over 50,000 members that a decline in the percentage of purchases can be noticed, 63.9 per cent in Scotland against an average of 70.3 per cent and 58.8² per cent in England and Wales against an average of 66.6 per cent.

1. Op. cit., pp. 158 - 159.

2. The reasons for the difference between Scotland, and England and Wales, are considered in Chapter 7.

Table 20. Retail Societies Purchases from the English C.W.S.
(England and Wales).¹

	Midlands %	Northern %	North Eastern %	North Western %	Southern %	South Western %	Western %
Under 5,000 Members	78.0 70.5 59.3	81.5 65.7 75.6 74.5	60.2 71.2 71.7	79.0 64.0 55.4 84.0	72.9 54.7 61.4 73.3	81.2 76.3 68.8	64.6 77.5
23 societies	3	4	3	4	4	3	2
5,000 - 10,000 Members	77.5 70.8 64.9	67.0 73.7 48.5	72.7 63.4	80.3 68.6 71.2 71.4 69.5	62.9 72.8 57.5 63.2	81.3	65.5 73.0
20 societies	3	3	2	5	4	1	2
10,000 - 20,000 Members	71.0 64.0 75.8	69.0 75.2 74.4	65.7 71.3	80.5 77.0 79.2	54.7 72.8	72.9 71.4	63.2 72.0 61.4 75.6
19 societies	3	3	2	3	2	2	4
20,000 - 50,000 Members	62.2 55.5 76.0	80.5 83.3 57.6 76.5 77.7 71.9	54.3 62.3 63.0 75.0	75.0 70.3 59.6 77.8 79.0 75.9	69.5 76.8 51.9 73.3	81.0	81.6 68.2
26 societies	3	6	4	6	4	1	2
Over 50,000 Members	44.4 50.1 44.8	72.2	27.6 74.1 31.4 84.2	54.3 62.5	84.8	71.4	
12 societies	3	1	4	2	1	1	
100 societies	15	17	15	20	15	8	10

1. Figures relate to 1954.

Source: Information supplied by the C.W.S.

Table 2I. Retail Societies Purchases from the Scottish C.W.S.
(Scotland).^I

	Ayrshire	Border Counties	Central	East of Scotland	Falkirk	Fife & Kinross
	%	%	%	%	%	%
Under	78.7	76.3	67.1	87.3	79.7	75.7
5,000	78.3	75.2	88.6	72.9	76.3	63.5
Members	81.9	70.4	95.6		75.1	66.2
	77.8		85.5			59.2
	76.0		78.5			
<u>38</u> societies	82.5					
	6	3	5	2	3	4
5,000 -	81.9	72.6	62.2	71.1	93.6	
10,000			77.4	69.2		68.3
Members			73.9			64.5
<u>12</u> societies	1	1	3	2	1	2
10,000 -			75.8	84.0		
20,000				73.9		
Members						
<u>5</u> societies			1	2		
20,000 -				73.2	71.4	
50,000				72.1		
Members						
<u>4</u> societies				2	1	
Over				63.9		
50,000						
Members						
<u>1</u> society				1		
<u>60</u> societies	7	4	9	9	5	6
Average for the district	79.6	72.7	78.3	74.2	75.2	66.2

^I. Figures relate to first half-year of 1954.

Table 2I. (continued from p.180)

	Glasgow & District	North Eastern	Renfrew	Southern	Stirling & Clackmannan	Average Scotland S.C.W.S.	Average England & Wales C.W.S.
	%	%	%	%	%	%	%
Under 5,000 Members	73.4 64.8 66.7 3	70.0 67.6 71.6 4	64.2 69.4 71.3 3	67.5 74.9 2	81.0 70.3 70.5 3	72.3	70.5
5,000 - 10,000 Members	66.8 1		67.0 1			72.4	68.8
10,000 - 20,000 Members	65.3 1				69.7 1	71.7	70.9
20,000 - 50,000 Members	67.3 1					71.0	70.6
Over 50,000 Members	6 63.9	4 68.7	4 67.9	2 71.2	4 72.9		58.8
Average for the district	67.4	68.7	67.9	71.2	72.9		

Source: Information supplied by the S.C.W.S.

Now since in the whole of Scotland there are only three societies having over 50,000 members, this factor of size cannot be expected to affect the extent to which societies obtain their supplies from the S.C.W.S. There appear to be other factors in addition to the size of the Society which affect the degree of dependability on the S.C.W.S. The location of the retail society in respect of S.C.W.S. warehouses and factories, and the intensity of competition from other dealers, are two other possible factors. Thus, when arranged according to their geographical location one finds that the districts of Ayrshire, Central, and Fife and Kinross, have the highest proportions of purchases from the S.C.W.S., viz., 79.6, 78.3 and 75.2 per cent respectively. Apart from Glasgow, this area contains most of the S.C.W.S. plants. The effect of intense competition can be noticed from the purchases of societies in the Glasgow District. Though in the centre of S.C.W.S. activities, societies there are in close contact with other large wholesalers and manufacturers.

These two factors, location and competition, however, do not explain the vast difference in the proportion of purchases, between societies falling in the same size group and located in the same area. For example, one society in the East of Scotland District, having 14,646 members, obtains 84.0 per cent of its requirements from the S.C.W.S. whereas another society having 12,000 members and located in the same district, obtains only 73.9 per cent of its requirements from the S.C.W.S. Two other small societies in the Stirling and Clackmannan District, and falling in the same size

group, as under 5,000 members, obtain 81.0 and 70.3 per cent of their requirements from the S.C.W.S. The only possible explanation of this difference is a varying degree of loyalty from the retail societies towards the Wholesale. The latter incessantly appeals for more support from the retail societies, and the response, as would be expected, varies from one society to another.

Because of the many and complex factors that enter the buyer's consideration, it has been impossible to collect adequate data for making a comparison between the prices and quality of goods supplied by the S.C.W.S., and goods supplied by other dealers. The matter however, has been discussed with a number of Co-operative officials and the impression gathered is that loyalty is a flexible factor and can go too far. Theoretically a buyer should forward his order to the S.C.W.S. only when he knows that its terms are the best in the market. Larger societies find it more economical on many occasions to buy directly from importers or manufacturers, particularly when they are in a position to place large orders and can get better terms than the S.C.W.S. The matter nevertheless, is not left entirely to the buyers of the retail societies, for it may happen that Management Committees interfere and demand the placing of more orders with the S.C.W.S., and this can be detrimental to the retail society's interests. A society, for example, which decides to stock S.C.W.S. jams exclusively is limiting the choice to the consumer and eventually loses a certain amount of sales. The fact that the S.C.W.S. does not give

any special terms to large societies, results either in those societies buying from other suppliers or else supporting the S.C.W.S. at the expense of their members' interests. Supporting the Wholesale Society on considerations other than the economic, cannot be justified.

The S.C.W.S.'s sources of supply are numerous. Supplies are brought from both overseas and home markets. It is only natural that co-operative wholesale societies give preference to co-operative organisations and the volume of imports from foreign countries depends a great deal upon the development of co-operative marketing¹ organisations in the country concerned. This however, does not imply that the S.C.W.S. buys only from co-operative sources, but that a certain degree of loyalty is maintained.

The Joint English and Scottish Co-operative Wholesale Society (E. & S.C.W.S.) was formed in 1901 to organise supplies of tea, coffee and cocoa for the two Wholesale societies. A Joint Committee composed of members of the two wholesale Boards, undertakes the management of the Joint E. & S.C.W.S. which has its headquarters in London. In 1951 this Society supplied the two Wholesales with goods to the value of £13,922,637 of which £2,194,473 comprised the² Society's own production.

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1. Carr-Saunders, Florence and Peers, op. cit., p.156.
 2. Co-operative Statistics for 1951, op. cit., pp. 18 and 20.

3. Production

The productive activities of the S.C.W.S. are numerous and varied, and its plants are spread over many parts of Scotland. Table 22 shows the variety of these activities, the number of plants engaged in each production, and their production at factory transfer value for the year 1952. Discussion on the economic efficiency of these productive units is presented in Chapter 7.

Table 22 - S.C.W.S. Productive and Service Plants

	No. of Factories	Production at factory transfer value 1952 £
A. <u>Food Products</u>		
Preserves	2	1,297,358
Confectionery	1	321,903
Coffee essence	1	761,210
Pickles	1	163,437
Chemical sundries	1	1,066,174
Fish curing	4	384,616
Ham curing	3	3,440,143
Sausage	1	271,774
Soft Drinks	9	171,867
Flour and Oatmeal Mills	4	6,604,991
Creameries	<u>14</u>	<u>4,176,749</u>
TOTAL Food Products	<u>41</u>	<u>18,654,222</u>

1. 53 weeks.

B. Drapery

Hosiery	4	184,649
Linen	1	117,591
Blanket	1	110,721
Umbrella	1	24,006
Men's underwear	1	86,878
" outwear	2	283,484
Children's and Juveniles'	2	342,180
Shirts	2	242,697
Tweed	<u>1</u>	<u>244,790</u>
TOTAL Drapery Goods	<u>15</u>	<u>1,636,996</u>

C. Footwear and Leather

Boot and Shoe	1	570,126
Leather Goods	<u>1</u>	<u>22,653</u>
TOTAL Footwear and Leather	<u>2</u>	<u>592,779</u>

D. Furniture and Household

Unit furniture	3	438,897
Bedding	1	50,364
Brush	1	17,111
Linoleum	<u>1</u>	<u>513,936</u>
TOTAL Furniture and Household	<u>6</u>	<u>1,020,308</u>

E. Service and Capital Goods

Jute Works	1	2,633,597
Limestone	1	30,644
Printing	1	627,092
Paper Works	1	677,755
Sheet metal	1	122,964
Weighing Machines	1	16,683
Motor Body and Cartwright	4	164,231
Laundries	<u>14</u>	<u>327,329</u>
TOTAL Service and Capital Goods	<u>24</u>	<u>4,000,295</u>

F. Other Goods

Soap	1	551,741
Tobacco	<u>1</u>	<u>4,873,328</u>
TOTAL Other goods	<u>2</u>	<u>5,425,069</u>

TOTAL All productive plants	<u>90</u>	<u>£ 31,329,669</u>
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Source: S.C.W.S. Balance Sheet for year ending January, 1953.

4. Banking

Before 1948 the S.C.W.S. had its banking business transacted through the Bank of Scotland and the C.W.S. Bank. The S.C.W.S. could not start its own banking department, as the C.W.S. did, since the Scottish Joint Stock banks refused to grant clearing facilities to any potential co-operative bank in Scotland. A Co-operative Bank without such facilities would have had to meet a charge of one shilling per cent on any cheque presented for clearance.¹ In 1948, however, an agreement was reached with the Scottish banks, and the S.C.W.S. banking department started business on lines very similar to the methods of the English C.W.S. Bank. The new bank found difficulty in persuading retail societies to transfer their business from their own banks, as many of the societies had long established personal relations with the officials of these banks, and it was not easy to withdraw their business. By 1953, however, nearly all the Scottish societies had joined the Co-operative bank. Moreover, the Bank now transacts all the business of Scottish branches of U.S.D.A.W. as well as that of the Co-operative Permanent Building Society and the Co-operative Insurance Society. Individuals may also join the Bank through their own retail societies.

1. The Scottish banks used to follow the practice of levying an ad valorem charge of 1s. per cent on any cheque paid into or cashed at a branch other than that upon which it was drawn. From September 1952, however, a new system has been adopted. A specified charge of 6d. per cheque is levied on current account holders. (The Economist, July 12, 1952, p.115).

The Bank has its own head office in Glasgow and a branch in Edinburgh. Besides these two main offices, local Co-operative societies act as agents, each society offering banking facilities in most of its shops for and on behalf of the S.C.W.S. Bank. By a special arrangement each retail society deposits and draws its cash from the previous Joint Stock Bank, which transfers those returns to its Glasgow office; the latter deals directly with the S.C.W.S. Bank. Thus the Joint Stock banks facilitate very greatly the working of the Co-operative Bank.

The retail societies by dealing with the S.C.W.S. Bank, effect certain economies which are not ordinarily obtainable from other banks: no charge is made on cheques drawn; night-safe facilities are offered to the retail societies free of charge; interest is allowed on current accounts which is not the general practice in Scotland; and finally the Bank does not charge any commission on business transacted for the retail societies.

The Bank is under the control of the Bank Manager, who is directly responsible to the Finance and Property Committee of the S.C.W.S. Board. Among the matters that should be reported to the Board are the investments of the Bank of which a weekly statement should be submitted for their confirmation. Nothing much is done by the Board in this matter since a decision on where to invest is highly technical and depends largely on a careful study of the stock market and competent judgment.

The S.C.W.S. Bank has undoubtedly benefited the Movement by

(a) keeping the Movement's funds for its own use, (b) effecting considerable economies in the retail societies as well as in the Wholesale and (c) building a growing amount of reserve in a relatively short period.¹

Since several attempts have been made to develop co-operative practice among people in the isolated areas of Scotland and the Islands, the S.W.S. encountered considerable difficulties in opening retail branches in these parts. In one case a plan to establish a new co-operative society in a remote area was organized by the proprietor of the local shop, but the inhabitants desired a co-operative shop to be opened. It is also difficult to secure the necessary support because of the unattractive conditions in remote places. Nevertheless, progress, nevertheless, has been achieved since 1950, when only five shops were functioning. By 1951 the S.W.S. had established 151 retail shops in Scotland, grouped in 16 areas, eleven of which are in the North Eastern District.

Membership of these retail branches amounted to 74,888 in 1951. Unlike the retail societies, purchases from the S.W.S. retail branch have no right of control over the business. Control is exclusively exercised by the Board of the Wholesale Society through the retail branch manager, whose office is in Glasgow. Each area has an area-manager to whom all area-managers of the area are responsible. All area-managers report regularly to the

1. The Reserve Fund amounted to £17,240, £70,924, and £106,058 in the years 1948, 1950, and 1952 respectively. (Co-operative Statistics, op. cit., 1952, p.18).

1. Branches are also in operation in Shetland, the Isle of Arran, and the Hebrides Islands. Co-operative Directory pp. 171-172.
2. See p. 4, above.

5. Retail Trading

Reference has already been made to the S.C.W.S. ventures in the field of retail trade, which started in 1908. Since that date, several attempts have been made to develop co-operative practice among people in the isolated north of Scotland and the Islands.¹ The S.C.W.S. encounters considerable difficulties in opening retail branches in these parts. In one case a plebiscite was organised by the proprietor of the Island to see whether or not the inhabitants desired a Co-operative shop to be opened. It is also difficult to secure the necessary manpower because of the unattractive conditions in remote places. Considerable progress, nevertheless, has been achieved since 1935, when only five shops were functioning. By 1951 the S.C.W.S. had established 131 retail shops in Scotland, grouped in 14 areas, eleven of which are in the North Eastern District.²

Membership of these retail branches amounted to 74,285 in 1951. Unlike the retail societies, purchasers from an S.C.W.S. retail branch have no right of control over its business. Control is exclusively exercised by the Board of the Wholesale Society through the retail Branch Manager, whose office is in Glasgow. Each area has an area-manager to whom all shop-managers in the area are responsible. All area-managers report regularly to the Retail Branch Manager in Glasgow. Clerical work in the branches is reduced to a minimum, and most of the accounting and

1. Branches are now in operation in Nairn, the Isle of Arran, and the Hebridean Islands. "Co-operative Directory," pp. 492-493.
 2. See p. 44 above.

statistical work is done at the central office in Glasgow.¹
 Goods are sent from S.C.W.S. warehouses, and prices are usually fixed from Glasgow.

Dundee, being an urban city, with problems essentially different from other parts of the country where S.C.W.S. retail branches are in operation, is considered as one area and has its own Retail Manager who reports directly to the Board of the S.C.W.S. As already mentioned, there is a retail society operating, the Dundee Eastern Co-operative Society, which is not a member of the Wholesale Federation.

Since 1942 the rate of dividend paid to the purchasers has been standardised in all areas.² Previously each paid dividends at a rate dependent on the amount of surplus realised in the area.

The original plan was that, when a retail branch had been established on a sound financial basis it could be handed over to the members, who would organise a retail society for the control of the business. This stage has not so far been reached by any of the branches, and it is not likely that any such development will be realised in the near future, because of the members' apathy and the absence of any signs, on their part, of interest in controlling their shops. It may be assumed, however, that democratic control is exercised in this case by the retail society members of the Wholesale, who are themselves directed by the general co-operative membership.

1. Purchasers' climax checks are sent to Glasgow for the computation of total purchases and dividend due; complete lists are then sent back to the Branches.
2. The rate of dividend in 1951 was 1s. 3d. per £ sales.

Reference has already been made to the relatively low volume of sales per member in S.C.W.S. retail branches in comparison with retail societies of the same size group.¹ Apart from Dundee, these retail branches operate within communities whose purchasing power is relatively poor. Their isolation also accounts for the limited range of goods which they supply. Trade in perishable commodities for instances, cannot be developed extensively, due to transport difficulties and in most cases members depend mainly on farm produce for their vegetable and fruit requirements. Further, for obvious reasons, these branches get practically all their supplies from the Wholesale Society; these supplies, wherever possible, are S.C.W.S. products and are so limited in variety that sales may well be expected to be low.

1. See p.56.

6. Employment with the S.C.W.S.

A Labour Department operates in Glasgow and serves mainly as a recruitment office for the various departments and factories located in Glasgow and Shieldhall. Apart from this, labour matters in the S.C.W.S. are widely decentralised and left to the local departmental and factory managers. The Labour Department is not an Employment Office in the strict sense of the word, but a division of the Finance Department of the S.C.W.S., concerned only with recruitment of labour and record-keeping for official use. The procedure followed is that each manager in Glasgow and Shieldhall notifies the Labour Department of the vacancies he has, giving information about each job and its requirements. The Labour Department receives all applications for employment with the S.C.W.S. There the Labour Officer conducts written tests and interviews for applicants, and those who are satisfactory are then directed to the particular department for which they seem suitable. Actual selection of employees is left to the managers, who are required to give their reasons for rejecting an applicant. One important factor in selection is the candidate's co-operative connections; every applicant is required to present a certificate that he (or his family) is a member of a co-operative society. Employment of male and female labour depends upon the requirements of the job, but, on the whole, there is a tendency to reserve certain departments exclusively for men employees although female labour may be of equal efficiency, the only reason in such cases being the

long established custom of the department, The S.C.W.S. is said to have built up a good reputation for employing disabled persons even in the pre-war days, when manpower was abundant. At present disabled employees in the S.C.W.S. comprise 3.5 per cent of its manpower.

In the field of education and training various schemes are in operation. A special course, the 'Juvenile Initiation School', has been organised by the Welfare Department for Shieldhall employees. Its purpose is for the initiation of juniors to factory life and co-operative employment. It is a one week course, where lectures are given in the history of co-operation, education and culture, recreation, approach to factory life, and hygiene and first aid. Factory managers, too, co-operate by giving lectures on their factory products.

Similar schemes at other factories offer juvenile workers facilities to join public educational classes, such as the Training Centre at Langside, organised by the Glasgow Co-operative Education Department where approximately forty employees from the Glasgow area attend the school on one day each week. Employees are also encouraged to attend local technical colleges, and there is a scheme in operation whereby between £300 and £500 is paid annually to cover fees for courses of study undertaken by the employees outside normal business hours. In addition a number of annual scholarships (four in 1952) are offered to employees to attend courses at the Co-operative College at Loughborough. Candidates are selected by means of written tests, followed by

interviews. In the field of technical training, departmental and factory managers are given a free hand; some of these have devised their own methods, such as the "training school room" at the Footwear Factory.

All matters of promotion, demotion and dismissal are left to the departmental managers. The Board is consulted only when a general increase in wages is proposed. A quarterly statement of the number of engagements and dismissals (and terminations) is sent by each manager to the central labour department.

Welfare organisation was first started in the S.C.W.S. in 1941, when a "medical office" was established at Shieldhall for the benefit of employees. This developed into a "safety committee" to investigate causes of accidents and to suggest ways for their prevention. The "Juvenile Initiation School" referred to above, was one of its proposals. This Committee was further developed to become the "Central Council of the Welfare Organisation", which is a representative body of all area Industrial Welfare Committees. Local Industrial Welfare Committees, consisting of employees and management representatives have been formed in a number of factories. The Central Council consists of representatives from these committees¹ and acts as a medium between the employees and the Board.

-
1. Each local committee is composed of a number of employees, elected by the employees of the factory, and a number of management representatives, which should not exceed that of the^{employees} two Board Directors, two S.C.W.S. Welfare Officers, one representative from each local committee, and two members to represent the areas where there are no Welfare Committees. Local committees meet monthly, whereas the Central Council assembles at least once every quarter.

This is a form of joint consultation, whereby employees can discuss with the management any improvements they suggest regarding the working conditions, such as cleanliness and tidiness, fencing of machinery, education, canteens, transport and recreation facilities. With regard to the practical working of this consultative machinery the writer understands, from conversations with officials, that employees are not, in general, aware of its existence, only a small number participate in the election of their representatives, and that only two local committees are now functioning, one at Shieldhall and the other in Glasgow. The reason may be found in the lack of interest, shown by the Board and the management, in the whole procedure, and until the employees feel that something is being done, they cannot be expected to show much enthusiasm. On the whole, however, the Industrial Welfare Committee has removed the feeling of frustration which existed between the management and employees. It has also made them safety-conscious and this awareness helps considerably in reducing the number of accidents during working hours.

The S.C.W.S. has maintained good relations with trade unions, and the principle is generally accepted by both sides that relations between them differ fundamentally from those between trade unions and private enterprise. The S.C.W.S. employs only Trade Union members and is required by agreement with the Unions to stipulate in its contracts with other employers, that employment of labour shall be on recognised Trade Union rates and conditions. The

trade unions, on the other hand, give the Wholesale Society immunity from stoppage of work, arising from inter-union disputes respecting trade union membership of its employees, and they also undertake to protect the Society from unfair trade competition by 'doing everything possible to raise the wages and conditions of employment in respect of firms competing with the Society, who¹ are paying less wages for the same type of labour'.

In the settlement of disputes between the Society and trade unions, separate conciliation machinery has been devised by which a "Conciliation Board" is formed, composed of thirteen members representing the S.C.W.S. and the trade unions, six members from each side and an independent chairman. Disputes must be settled by unanimous agreement of the "Conciliation Board" or, failing this, and provided that both parties agree, by a majority decision which shall be binding on both parties. If the parties do not agree to a majority decision, they shall be asked if they will agree to allow the independent chairman to act as arbitrator, his decision being conclusive and binding on both parties. Usually the two parties agree to conciliation if no settlement is reached before that stage.

1. Memorandum of Agreement dated 9.9.40, clause 6.

A statistical analysis of the number of employees engaged by the S.C.W.S. and the wages earned is necessary to show the general trend in employment figures, and to indicate the effect of war conditions on the one hand, and of the full employment prevailing on the post war years on the other. The changes already mentioned, in Chapter 2, with regard to the manner of statistical classification of retail societies employees as between distributive and productive, were also made in connection with S.C.W.S. employment figures. This analysis will therefore deal separately with each of the two periods, 1914-1939 and 1939 - 1951.

The Period 1914-1939.

The following table shows the number of distributive employees excluding transport, their wages and sales during the period 1914-1939.

Table

Distributive Employees (Excluding Transport). 1914-1939.

Year	Number of Employees	Wages £	Sales £000	Averages Sales per Employee £	Average wages per Employee £	Proportion of wages to sales %	Retail Prices Index
1914	2743	120155	9425.3	3440	43.4	1.27	100
1918	1475	213425	19519.9	13210	144.4	1.09	222
1928	2045	276669	15723.4	7690	135.1	1.76	169
1939	2869	386292	24617.9	8580	134.8	1.57	157

Productive Employees (Including Transport)

It appears from these figures that between 1914 and 1918 the number of employees declined considerably; from 2743, then increased in 1928 and 1939. The decline in the war years is obviously due to the calling up of employees to the Services.

Higher prices caused the sharp rise in the cash value of sales and the average per employee. The 1928 figures show a partial return to pre-war level though the effect of higher prices and high wages can still be noticed. It is apparent that although prices were declining during this period wages were not. The retail price index moved from 169 in 1928 to 157 in 1939 (1914 = 100). whereas the index for average wage per employee was practically unchanged in 1939 compared with 1928.

The proportion of wages to sales which was in 1918 lower than the 1914 level, exceeded that figure in 1928. The number of employees returned nearer to normal level in 1928. The average wage per employee declined, but prices were declining at a greater pace, with the result that wages cost increased considerably; from 1.09 per cent. of sales in 1918, wages became 1.76 per cent. in 1928.

After 1928 the return to pre-war conditions continued, prices declined and the number of employees increased. Average sales per employee increased, and wages cost declined slightly but it was still higher than the 1914 level.

The figures relating to employees engaged in the productive and service activities of the S.C.W.S. are shown in the following table.

Table
Productive Employees (including Transport)
1914-1939.

	Number of Employees	Wages	Production	Average wage per employee	Average output per employee	Proportion wages to production
		£	£ 800	£	£	%
1914	6134	410,223	3,139.2	66.9	512	13.38
1918	6849	584,085	5,942.5	85.3	867	9.83
1928	8261	873,821	8,176.9	105.8	990	10.68
1939	11,395	1,491,373	7,132.3	131.0	625	20.93

The number of employees shows a slight increase during the war years and thereafter it has increased substantially and so has the average wage per employee. The value of production, however, has not shown any comparable development with the result that the cost of wages related to production has increased from 9.83 per cent. in 1918 to 10.68 in 1928 and 20.93 in 1939. The rising wages and reduction in hours of work during this period undoubtedly showed its effect on wages cost especially since prices were declining during that period. As it appears from the following figures the increase in wages since 1939 has not kept pace with the increase in retail prices.

The Period 1939-1951.

The figures for this period show similar trends as were indicated from our analysis of retail societies' figures. The number of distributive employees declined from 3548 in 1939 to 2007 in 1946, then increased to 2434 in 1951. The number of employees in 1951 is in fact still lower than their number in 1939 - the effect of labour shortage. Although the average wage per employee has increased, the proportion of wages to sales has continued to decline throughout the period. In the years 1939, 1946 and 1951 wages per employee were £ 138.5, £ 236 and £ 259 whereas the proportion of wages to sales was 2.0, 1.08 and 0.84 per cent. respectively.

	Average Sales	Average Wages	Retail Price Index
1939	100	100	100
1946	326	171	165
1951	428	187	236

The number of productive employees was not affected so much by the war conditions as in the case of distributive employees. In 1946 there were 12,176 productive and service employees compared

Table

Distributive Employees (including Transport)
1939-1951.

Year	Number of Employees	Sales £000	Wages £	Average Sales per Employee	Average wages per employee	Proportion of wage to Sales %
1939	3548	24617.9	492331	694	138.5	2.0
1946	2007	44031.9	574156	2190	236	1.08
1951	2434	72221.2	631071	2970	259	0.84

As it appears from the following figures the increase in wages since 1939 has not kept pace with the increase in retail prices. The index for average sales per employee has increased to 428 in 1951 (1939 = 100) whereas that of retail prices has increased from 103 in 1939 to 236 in 1951. On the other hand cash sales per employee have increased to a greater extent than the rise in average wages per employee. In 1951 the employee wage index was 187 while the index for average sales per employee was 428 (1939 = 100).

Table

Average Sales per Employee and Wages Expressed
in index numbers.
1939 = 100.

	Average Sales per Employee	Average Wages per Employee	Retail Price Index (1938 = 100)
1939	100	100	103
1946	316	171	165
1951	428	187	236.

The number of productive employees was not affected so much by the war conditions as in the case of distributive employees. In 1946 there were 12,176 productive and service employees compared

It is likely that the inclusion of female labour in the productive departments was less common than in the distributive departments. The productive activities of the S.C.W.S. continued to grow, though very slowly during the war years.

Table
Productive and Service Employees.
1939-1951.

	Number of Employees	Production £000	Wages £	Average Production per Employee £	Average Wage per Employee £	Proportion of wages to Output %
1939	10716	7132.3	1385334	666	129.0	19.42
1946	12176	15428.1	2589530	1269	213.0	16.80
1951	13546	28193.5	3850478	2095	286.0	13.68

The following figures show in index numbers the average output and average wages per employee and the changes in retail prices already used for comparison.

Table
Average Production and Wages Per Employee in Index Numbers
(1939 = 100)

	Average Output	Average Wages	Retail Price Index (1938 = 100)
1939	100	100	103
1946	191	165	165
1951	314	222	236

It is significant to point out that the index for average wages per employee continued to increase at approximately the same pace as the retail price index. This is different from what has been observed in respect of distributive employees where the wages index in 1951 was considerably lower than the price index.

It is likely that the inclusion of female labour in the productive departments was less common than in the distributive departments and this may be due to the fact that the distributive departments before the war were mainly served by male employees even where women employees could have been engaged efficiently. At the end of 1951, the capital of the S.C.W.S. consisted of the following amounts:-

Share Capital

Societies

6 months notice

2 741 379

11 772

Loan Capital

Societies

6 months notice

10 848 146

at call

745 172

deposit cert.

11 847 146

Non members

11 847 146

Total Share and Loan Capital

In addition to their shareholdings in the Wholesale Society, retail societies place a considerable amount of their existing funds in the S.C.W.S. loan accounts. This kind of investment is preferred because such funds are easily accessible to the depositing society, and out of its loan account a retail society can pay for the purchases it makes from the S.C.W.S. Moreover the loan capital of the S.C.W.S. consists of payments due to these retail societies on their trade with the Wholesale, such as dividend on purchases, or on their capital holdings. Retail societies have the choice of withdrawing these payments or leaving them to accumulate in

6. The Capital of the S.C.W.S. and its Utilisation.

The capital of the S.C.W.S., as already mentioned in Chapter 2, comes from the retail societies. More than half of the investments of these societies are used to capitalise the Wholesale Society. At the end of 1951, the capital of the S.C.W.S. consisted of the following amounts:-

Share Capital

Societies	£	£	£
Employees		2 791 379	
		<u>33 774</u>	
			2 825 153

Loan Capital

Societies			
6 months notice	10 858 166		
at call	745 197		
deposit cert.	<u>244 097</u>		
	11 847 460		
Non members	<u>2 510</u>		11 849 970
Total Share and Loan Capital			<u>14 675 123</u>

In addition to their shareholdings in the Wholesale Society, retail societies place a considerable amount of their surplus funds in the S.C.W.S. loan accounts. This kind of investment is preferred because such funds are easily accessible to the depositing society, and out of its loan account a retail society can pay for the purchases it makes from the S.C.W.S. Moreover the loan capital of the S.C.W.S. consists of payments due to these on their trade with the Wholesale, such as dividend on purchases, or on their capital holdings. Retail societies have the choice of withdrawing these payments or leaving them to accumulate in

their loan accounts. During 1951 the amounts credited to the
(1)
retail societies loan accounts were as follows :

	£
Share Capital interest	84 360
Loan capital interest	311 884
Dividend on purchase	<u>485 282</u>
Total	<u>881 526</u>

In addition to the loan accounts, the S.C.W.S. issues deposit certificates to its member societies as another means of investment. As shown above the amount of deposit certificates at the end of 1951, was £ 244,097, including accrued interest.

S.C.W.S. employees are allowed to subscribe to the share capital, and societies which are not members of the Wholesale Society may hold loan accounts. The total amount of these two items at the end of 1951 was £ 36,284 equal to 2.4 per cent. of the share and loan capital.

The S.C.W.S. is required according to the rules to allocate from its surplus each year one half penny per £ of sales to a reserve fund. (Rule 17, p. 14). The amount allocated to reserve in 1951 was £ 158,879 thus bringing the total amount of reserve to £2,234,719. A number of other funds which rank as reserve are held by the S.C.W.S. These are the special fund, development and replacement account, depreciation of investments accounts and insurance funds. The total amount of all the reserve and insurance funds at the end of 1951 was £ 3,780,622. In addition, other liabilities amounted to £ 2,903, 402. This makes the total capital at the disposal of the S.C.W.S. at the end of 1951 amounting to £ 21,359,147.

A large part of the capital of the S.C.W.S. is used in financing its trading operations, and the remainder is invested. The assets used in trading, comprising stocks on trade, the declared value of properties, debts and cash, amounted to £ 16,615,000 or 76.8 per cent. of the total capital. Investments on the other hand amounted to £ 4,962,000 equal to 23.2 per cent. of the total capital. The following figures show the various trading assets of the Wholesale Society at the end of 1951 :

	value	proportion to total capital
Stock on trade	6,240	29.3
Property (Nominal value)	3,388	15.8
Due for goods	6,412	30.0
Cash	575	1.7
	16,615	64.8

The following table shows the value of the liabilities and assets of the S.C.W.S. in the period 1914-1939, both in cash values and in index numbers. The amount of sales is shown in the last column of the table. It will be noticed that though there has been a continuous increase in the capital funds, assets, and sales, the amount used in investments decreased in 1918 but thereafter increased substantially. The reason here is that capital did not rise to the extent needed to finance the trading assets; the index for capital increased in 1918 to 110 whereas the number for stocks on trade reached 198 (1914 = 100). From 1918 to 1928 the cash value of the trading assets decreased from

£ 4,017,689 to £ 3,424,945 whereas capital continued to increase even in a more spectacular way than during the war years; between 1918 and 1928 the index moved from 110 to 189. This trend continued until 1939 and in spite of a rise in the value of the trading assets, the increase in capital was still higher. Investments therefore continued to rise. Expressed as a percentage of the total value of assets, the proportion used in investments increased from 40.6 per cent. in 1918 to 63.4 per cent. in 1928 and to 67.6 in 1939.

Table

Assets and Liabilities of the S.C.W.S.

	Share and loan capital £000	Reserve £000	Stock on trade £000	Property £000	Due for goods £000	Invest- ments £000	Sales £000
1914	4130.2	789.9	1,371.9	633.8	270.3	2957.0	9425.3
1918	4546.3	1034.1	2,715.1	747.4	555.2	2757.1	19519.5
1928	7813.7	1500.0	1634.6	1168.6	621.8	5919.5	15723.4
1939	10427.2	2329.0	1792.3	1238.5	1454.6	9436.3	24617.9

Index Numbers (1914 = 100)

	100	100	100	100	100	100	100
1914	100	100	100	100	100	100	100
1918	110	144	198	118	206	93	207
1928	189	190	119	184	230	201	162
1939	252	296	131	195	539	320	296

It is significant that the increase in the capital of the S.C.W.S. followed closely the trend in the value of the retail societies' capital. The index of the capital of the retail societies was 129 in 1918, 188 in 1928, and 240 in 1939 whereas the corresponding figures for the S.C.W.S. were 110, 189 and 252 respectively.

It may also be noticed that during the war years, when there was a shortage of capital relative to the increase in the values of trading assets, the index for S.C.W.S. capital was lower than the retail societies' capital. On the other hand, when the increase in capital was higher than what was needed for the trading operations, the index for the S.C.W.S. capital was higher than that of the retail societies'. These observations point to the fact that changes in the capital of the retail societies and the relative changes in their trading requirements affect the amount they can subscribe to finance the S.C.W.S.

It will be remembered that while examining the changes in the amount of investments of the retail societies since 1939, it was found that the highest investment in the S.C.W.S. was reached in 1946. For this reason our study of the finances of the S.C.W.S. since 1939 will be based on the years 1939, 1946, 1949 and 1951.

The only striking changes in the value of S.C.W.S. liabilities during the period 1939-1951 occurred in the loan capital. From £ 8,460,000 in 1939 the loan capital increased to £ 22,018,000 in 1946 and thereafter declined substantially until 1951 when this capital amounted to £ 11,847. Other liabilities, share capital and reserve, showed a gradual increase throughout the period. The trend in the value of loan capital is obviously a reflection of the changes of retail societies' investments in the S.C.W.S. already referred to in Chapter 2. These changes originated in the fluctuations in the savings of the retail societies' members.

The values of the various assets of the S.C.W.S. are shown in the table below. It will be noticed that the cash value of stocks on trade has hardly changed in 1946 compared with 1939. In spite of the rising sales the value of stocks remained practically static because of the shortage of goods and supplies during the war years. The value of investments, as would be expected, increased substantially in 1946 compared with 1939. In fact the increase in the total value of assets between 1939 and 1946 amounted to approximately 15 million pounds of which 13 million was the increase in investments.

Table

S.C.W.S. Assets.

	1939 £000	1946 £000	1949 £000	1951 £000
Stock on Trade	1392	1920	4478	6240
Property	1239	2575	3708	3388
Investments	9436	22534	10682	4962
Due for goods	1455	2302	5910	6412
Other assets	575	843	851	359
Total	14496	30175	25630	21359

After 1946 a different pattern is indicated by the figures.

A gradual decline in the total value of assets occurred, due to the decline in capital already explained. Meanwhile the value of stocks increased substantially, from £ 1,920,000 in 1939 to £ 4,478,000 in 1949 and to £ 6,240,000 in 1951. A rising amount of debts is also indicated, from £ 1,455,000 in 1939 to £ 6,412,000 in 1951. The retail societies' practice of leaving a substantial

amount due for goods purchased by them is in fact a recent development. In 1951 the amount due for goods is more than the value of stocks on trade. Expressed as a percentage of sales, debts have increased from 5.9 to 8.9 per cent. between 1939 and 1951. The S.C.W.S. obviously would not welcome the tying up of such a vast amount of capital in debts except that this is an incentive to the retail societies to direct their trade towards the Wholesale Society.

The highest value of investments was reached in 1946, thereafter a sharp decline occurred. In 1939 the amount of investments made by the S.C.W.S. was £ 9,436,000. This increased to £ 22,534,000 in 1946 and declined to £ 4,962,000 in 1951. It is relevant to examine the effect of these fluctuations on the various channels of investments. The following figures show the distributions of investments made by the S.C.W.S. in the years indicated :

Table

S.C.W.S. Investments

	1939	1946	1949	1951
	£	£	£	£
British Government	-	5,063,100 (22.47)	-	-
British Local Authority	8,428,056 (89.40)	14,504,589 (64.40)	-	-
Overseas Government & Local Authority	-	-	-	-
Private Companies	21,697 (0.22)	558,481 (2.47)	1,150,316 (5.07)	1,083,259 (21.82)
Co-operative Organisations	986,163 (10.38)	2,408,503 (10.68)	794,357 (7.41)	783,788 (15.80)
Bank	-	-	8,737,000 (81.80)	3,095,000 (62.38)
Total	9,435,910	22,534,673	10,681,673	4,962,047

Figures between brackets are percentages to total.

Source: Figures supplied by the S.C.W.S.

In 1939 almost 90 per cent. of the investments were placed in British Local Authorities. The remainder was invested mainly in Co-operative organisations, i.e. local and national federations. In 1946, a new item, that is British Government Securities, was ventured into, and in this alone the S.C.W.S. invested £ 5,063,100 equal to 22.47 per cent of its investments. The proportion held in Co-operative organisations did not change materially though the cash value increased from £ 986,163 in 1939 to £ 2,408,503 in 1946.

After 1946 investments in Co-operative organisations were reduced to £ 794,357 in 1949 and to £ 783,788 in 1951. Investments in private companies have increased substantially since 1939. In fact a negligible amount was invested in Private organisations before the War, £ 21,697 in 1939. These investments amounted to £ 558,481 in 1946 and £ 1,150,136 in 1949. It is significant that the sharp decline in investments from 1946 onwards did not affect investments in private companies which even increased to more than double its amount. This reflects the post war policy of the S.C.W.S. of directing some of its trade to the export market under a private company name.

It can also be noticed that the amount invested in Co-operative organisations has not been affected considerably as between 1939 and 1951. The S.C.W.S. has certain trading interests in some of these organisations whereas in others it is the moral ^{ob} obligation of supporting a co-operative institution that influence the S.C.W.S. Such investments are therefore

kept by the S.C.W.S. and not passed on to the Bank. The Bank, in fact, has an exclusive business outlook in directing its investments policy. The funds available to the Scottish Co-operative Bank are mainly from the retail societies and the Wholesale. As already mentioned a considerable amount of the disposable funds of the S.C.W.S. are passed on to the Bank for investment. One cannot therefore determine precisely to which channels are the S.C.W.S. funds directed. The pattern of investments made by the Bank can only be taken as a clue to the direction of S.C.W.S. funds. The figures below show the distribution of investments made by the Scottish Co-operative Bank in the years 1949 and 1951.

Table

Investments by the Scottish Co-operative Bank.

	1949	1951
	£	£
British Government	1,995,015	1,961,111
British Local Authority	12,988,726	11,456,274
Overseas Government & Local Authority	400,420	207,180
Private Companies	8,271	7,580
Co-operative organisations	6,585	1,223
Total	15,399,017	13,633,368

It is apparent that the bulk of investments is in British Local Authorities. This in fact is in agreement with the

policy previously followed by the S.C.W.S. in disposing of its surplus funds, before establishing the Bank. This is understandable, since the Banks policy is in fact directed by the Board of the S.C.W.S.

The above observations can be summarised in the following:

- (1) Between 1939 and 1951 the pattern of investments made by the S.C.W.S. has not changed materially. The bulk of investments is placed in British Local Authorities.
- (2) Almost 15 per cent. of the investments made by the Co-operative Bank are placed into British Government Securities, an item which was not ventured into before the war.
- (3) Investments in private companies have increased considerably. The proportion of these investments to the total of invested funds has increased from 0.22 per cent. in 1939 to 21.82 per cent. in 1951.
- (4) Investments in Co-operative organisations have not changed considerably.

PART THREE

Co-operative Democracy

Democracy implies a form of government in which the supreme power is vested in the people collectively. Democratic control is an integral part of Co-operative philosophy. It is one of its basic foundations and, as we have already seen, this claim gives the Co-operative organization a unique position as a business venture. The question therefore arises, if the Co-operative Movement democratically governed, and, as we have seen, the form of government under the program of the movement is related to the first question attempted to be solved in the study, the problem will

Problems Arising from the Study and Conclusions

An examination of the study shows that the Co-operative Movement implies first a declaration of democracy which would be applied to an organization with the purpose and nature of the Co-operative Movement. Second, it is a form of government devised to ensure democratic control in the Co-operative Movement, i.e., the construction of a democratic mechanism of control of this mechanism is desired.

The form of government of the Co-operative Movement has been defined as such which is democratic in nature and as far as possible, the thought, the plan, the action, the responsibility of every member. The last of which is the result of the study.

C H A P T E R V.

Co-operative Democracy

Democracy implies a form of government in which the supreme power is vested in the people collectively. Democratic control is an integral part of Co-operative philosophy - it is one of its basic foundations and, as we have already said, this claim gives the Co-operative organisation a unique value as a business venture. The question therefore arises: Is the Co-operative Movement democratically governed, and, what effect has this form of government upon the progress of the Movement? An answer to the first question is attempted in this chapter and the second problem will be discussed among others in the following chapters.

An examination of the true nature of Co-operative democracy implies first a definition of democratic control as could be applied to an organisation with the magnitude and nature of the Co-operative Movement; secondly, an examination of the machinery devised to ensure democratic control in the Co-operative Society, i.e. the constitutional structure; and thirdly, an assessment of this machinery in action.

The form of government with the true nature of democracy has been defined as that which 'elicits and enlists as far as humanly possible, the thought, the will, and the general capacity of every member'¹. The test of democratic control is that every action

1. E. Barker, Reflections on Government, p.37.

taken by the governing group must embody the common will of the members. This obviously does not imply that 'everything which concerns all should be decided by all', because this is a form of government which is only possible in a primitive society with a limited number of members.¹ On the other hand, democracy does not mean simply, government for the well-being of the people, because it is of the utmost importance that the method or process by which the good results are achieved and maintained, must be democratic. It is the will of the members that counts most, and it is that will which must be satisfied. A joint stock company may succeed in realising high profits for its shareholders or a trade union may secure better wages for its members, but unless the members take part in making policy decisions it cannot be said that the company or the trade union is governed democratically. Democratic government must depend on a mutual interchange of ideas, on mutual criticism of the ideas interchanged, and on the common and agreed choice which emerges triumphant from the ordeal of interchange and criticism.² Thus the important pillars of true democratic control are, a well-informed and enlightened membership, a general will to be formed to which each member contributes, and finally the necessary machinery for realising that will.

1. The Retail Society

The constitution of the retail society is democratic in principle. Membership is open to all, and every member has one vote

1. J. Goldstein, Government of Trade Unions, quoting S. & B. Webb, Industrial Democracy, p.36.

2. E. Barker, op. cit. p. 36.

irrespective of his or her financial holding. Then equality in government is maintained. The general meeting is a supreme authority, where the members elect from among themselves the management committee in which the administration of the Society is vested. The members collectively have the right to censure the Committee if they are not satisfied with its actions. Attendance at the general meeting is the right of every member who holds the necessary number of shares ranging between one and five £1 shares, with the additional requirement, in some cases, of a fixed minimum of purchases. This limit is, however, not a restriction of the number attending because, as we have seen, the requirement can easily be met by the genuine member, and in practice, it has not debarred members from continuing their membership or attending general meetings. Members' meetings are held quarterly or half-yearly and, perhaps in a few cases, monthly, as in the Glasgow South Society. Theoretically the general meeting is expected to be representative of the whole body of members and generally expressing its will.

The two universally accepted principles, 'open membership' and 'one member - one vote', underlie the general framework of the democratic structure of the Co-operative Movement. Although it recognises the right of the shareholders only to be in control yet, unlike the constitutional structure of joint stock companies, it does not relate voting power to financial holding. The result is that in the Co-operative Society employees and customers alike

have an equal opportunity to become members and to have a say in the management of the concern. This is co-operative democracy, as it stands in theory.

Although the constitution allows every member to contribute to the government of the retail society, it does not make any provision for a common will to be formed. It is true that ample allowance is made for that will to be expressed and conveyed to the committee of management, but there is no positive provision in the constitution for a constructive discussion to take place between the various sectors or elements of the membership. In other words, the necessary interchange of ideas and criticism is not provided for. The general meeting, however controversial its business may be, is only a device to convey the will of the members and not a place for discussion and debate. Independent groups which arise among the keen and interested members for the purpose of criticising and checking the management of the retail society are of great value in filling this gap in the constitution.¹ The guilds are recognised as the most important of these organs.

One quarter of the population in Scotland are members of the Co-operative societies. But, as it is well known, the membership card in a Co-operative society usually means supplies for a household. Moreover, as has already been pointed out, in considering membership figures, account should be taken of the dual and joint membership. Only in three cases among the societies

1. The role of the Scottish Women's Guild is being considered later in this chapter. See pp.220-221.

investigated has it been possible to obtain an estimate of the number of non-purchasing members, which ranged between 10 and 30 per cent of the total membership. A safe estimate would be to exclude 20 per cent of the Scottish membership and the rest will represent the number of households who depend one way or another, on Co-operative supplies. Accordingly, the approximate number, in 1951, of the Scottish households buying from Co-operative shops would be one million. According to the last Census of population the term 'household' implies the number of persons who are in separate occupation of any premises or part of a premises; it also includes all persons boarding with the same household.¹ This definition suits our purpose in making an estimate of the proportion of households which obtain their supplies from Co-operative shops. The number of households in Scotland according to the 1951 Census is 1,435,925.² Therefore one can say that about 70 per cent of the Scottish households obtain goods from Co-operative societies. How far this is distributed among the various social classes it is difficult to say. A guide however can be taken from the density of Co-operative members in the various parts of the country.

From /^{our} geographical analysis of the Scottish Movement, in Chapter 2, it became clear that the Movement is stronger in the Midland belt than in other parts of Scotland. Within the industrial region, Co-operative societies have a stronger appeal to consumers in small towns and villages than in large trading centres. From the

1. Census of Population, 1951, Scotland, vol.iii (Edinburgh 1954) p.1, vii.

2. Ibid., p.1, vii.

individual society investigations it became clear that the Movement is at its best in small industrial towns such as Blantyre, whereas agricultural and landward communities are not as keen on Co-operative shops. For example, in Perth it is estimated that about 22 per cent of the population are members, and the East Lothian Society has its branches in mining and industrial villages and not in the agricultural districts of the country. In Glasgow, it is believed that neither the very rich nor the very poor are attracted to the Co-operative shop.

The above observations raise the question why, in spite of its democratic nature, the Co-operative Movement is still a Movement of the industrial community and there it has failed to attract the very rich and, to a lesser extent, the very poor. Historically the Co-operative Movement is a working-class movement and since its early days, it has focussed its attention upon supplying working class family requirements. Human interests vary considerably according to the social status of the individual and the scale of preference of the individual varies as his income changes. The wealthy may look for appearance and elegance as well as quality in the goods he buys, whereas the middle-class man puts more weight on quality, and the very poor may be satisfied only with the bare necessities of life irrespective of appearance or even quality. It is indeed not surprising that the Co-operative shops with the type of goods they supply, appeal mainly to the artisan class. The same phenomenon is noticeable in other forms of trading organisations. One often hears that some people are

reluctant to buy from, say, Woolworth Stores, simply and rightly enough, because the type of goods sold there does not suit their needs. One, however, cannot deny that there is a psychological factor in the matter, as some people just would not like to be seen coming out of a Co-operative shop. This is particularly true in smaller towns. Another reason for this special Co-operative attraction to a particular class of people is the location of Co-operative shops. In both Edinburgh and Glasgow it is noticeable that Co-operative shops are concentrated in the older parts of the city, which are no longer the popular shopping centres. Moreover, the dividend makes its strongest appeal to the lower middle-class and it means next to nothing to the wealthy. Co-operative societies try to maintain a certain standard in the quality of the goods they supply and because of this their prices may appear to be high for the very poor who look for cheap prices. The Movement could make a stronger appeal to the lower-income groups if it were to sell its goods at lower prices, but if the standard of quality is to be maintained, this would necessarily involve a reduction in the rate of dividend, a measure which would not be very popular among a large section of the present membership. Nevertheless, the reduction of dividend should be such that it would both continue to attract the present membership and allow a reduction in prices. The experiment of the Glasgow South in opening pantry shops to meet the needs of the very poor is worth following. It must be remembered, however, that the Movement has a deeper penetration

into all the social classes in smaller towns and in villages, largely because of the limited number and variety of retail outlets in these parts. Nevertheless, the 'Co-op' on the whole will always be a working-class shop, and the spread of the membership in the community at large is not likely to change materially, a characteristic which the Movement acquires by the very nature of its trading set-up.

In spite of this wide appeal of the Co-operative Movement among the working-classes one finds that only a minority of the membership actually take interest in directing the business of the Movement. In the six societies investigated the average attendance at general meetings ranged between one third per cent in the Glasgow South Society and two per cent of the total membership in Blantyre. A safe estimate of attendance at general meetings of the average society is perhaps one per cent. Co-operative membership is in fact divided into two parts, one comprising the great majority of the membership who are only interested in the business side of the Co-operative society, for example convenience of delivery or the attraction of dividend, and the other a very small minority whose interests are wider and cover the social aspects of the Movement. Indeed it has been estimated that only for one per cent of the members is the Co-operative society anything but a shop.¹

This apathy, however, is not surprising for it is of the nature of voluntary organisations to suffer from an apathetic

1. W. Beveridge, Voluntary Action, p.111.

membership. Nevertheless the alarming fact is that this minority group is steadily declining. Early in the century it was estimated that between two and five per cent of the membership actually attended general meetings.¹ Today the attendance is not more than one per cent of the total number of members. It is true that poor attendance at general meetings is not the sole criterion of an indifferent membership, but undoubtedly a good attendance is a sign of a healthy organisation. On the other hand a claim was advanced by some of the officials interviewed that account should be taken of the large potential attendance at general meetings when a crisis occurs or a drop in the dividend rate is expected, and that the members' satisfaction is indicated by their absence. This potential attendance, in fact, has its effect in keeping alive the sensitivity of the management to the will of the members. Moreover, a sign of the members' interest and keenness can be observed from the number of complaints that come to the management about prices, or quality, or service. All these indications are potential checks against slackness. Nevertheless the crux of democracy lies in the process of discussion and the formulation of a common will,² not in the mere consent of the members.

Before we proceed to consider the subject matter of Co-operative control it is relevant to enquire into the reasons for this apathy. As has already been mentioned the majority of the present day members are interested only in the goods for sale, perhaps in a particular line of commodities or a service which

1. S. & B. Webb, op. cit., p.49.

2. A. D. Lindsay, The Essentials of Democracy, p.34.

their society offers, and they feel no concern regarding the wider aims of the Movement. Moreover, the rate of dividend has lost some of its attraction mainly because incomes are not as low as they used to be, although in parts of Scotland, members still look at the rate of dividend as an indication of the society's efficiency.¹ Another reason for the present lack of interest in control, is the ever increasing size of the retail society; as the size increases attendance drops. We have seen that in large societies like Glasgow South and St. Cuthbert's, attendance is as low as 0.25 and 0.30 per cent respectively, whereas Blantyre Society had an average attendance of more than 2 per cent. The personal relationships between members in small towns and villages is not found among members of the large societies. Indeed discussion among smaller groups is more likely to be effective and creative because of the intimacy in the relationships between the members who know one another well and can discuss affairs informally and with ease.² Moreover, the nature of the business problems and transactions in the small society is within the understanding of the average citizen, but with the large society technical and economic situations make the business more complicated³ and the average member understands less about what is happening. Thus we find that, as the society becomes larger, the proportion of members who possess the necessary qualifications to exercise control decreases. The spread of the society over a small or a

1. See p. 122

2. A.D. Lindsay, op. cit., p.41.

3. E.S.E. Lewis, A Critique of Consumers' Co-operation.

large area reflects its hold on the members of the Society who are interested in its activities, since the farther the member is from the central organisation, the less likely he is to be interested in its functions.

Certain devices have been attempted to stimulate the members' interest in controlling the business of their Society. The East Lothian Society, as has been mentioned, resorted to divisional meetings and area representation of the Board. But this experiment has not shown any signs of success for as we have seen, some of the meetings are not attended by more than three members. In fact the East Lothian Society is handicapped by the wide area it serves. Members outside the Tranent area are far away from the centre of the Society's cultural and social activities. They can hardly benefit from these social services and therefore interest is lacking.

The Glasgow South Society on the other hand holds its meetings monthly instead of quarterly but this again has not produced a satisfactory attendance of the members. The idea of electing a "panel of members' delegates" is of more interest. From these forty elected members the Board selects delegates to represent the Society in other federal and Co-operative meetings. In a way this panel becomes the direct representative of the general body of members in taking keen interest in the Society's affairs and their service as the delegates panel gives them a good chance to look closely at the Society's business. The rules of

the Society provide that no member can serve at the panel for more than four consecutive years at a time. One year must elapse after the member has demitted office and before he can be eligible for election.¹ One immediate result of this method is that these members, when attending general meetings, can discuss matters with better knowledge than that of the ordinary member. It is not known how far this practice is adopted by Scottish societies, but, it is worth considering as a way of stimulating the members' interest.

The composition of this minority of members who attend general meetings, and who are continuously interested in the affairs of their Co-operative society, must be considered in order to understand the objects of their control. Attendance at general meetings in the various parts of the country reflects, more or less, the interest taken in the organised bodies that function within the Movement. Three sections are prominent at any of the general meetings of the retail societies, namely, the guild-members, the employees, and those from the local branch of the Co-operative Party. Each of these groups takes an interest in the meeting according to the topics under discussion. For example, the employees' attendance increases considerably when an employee-director is to be elected or when a matter concerning employment is under discussion. Most of the members present at a general meeting belong to one of these organised bodies. There is no threat

1. Rule 69.

in the pressure of these organised groups of interested members as long as the balance is maintained between their powers; otherwise the interests of one group might outweigh the collective interest of the whole body of members. On the whole, the writer is made to understand that the balance is kept, and no undue pressure is exercised by one group or the other.

The information released to the members in the general meeting comprises the two reports of the management and education committees. On the business of the Society the report contains a statement of sales, the amount of surplus realised, and the rate of dividend proposed. A brief report is presented on departmental developments and synopses of board meetings are either read or included with the printed report. But, as has already been mentioned, the report is so brief that it does not allow any substantial discussion on policy. Usually if any important topic is discussed at the meeting it has its origin in the guild meetings or the political party branch. The Balance Sheet and Statement of Accounts in their present form, present a different problem. They contain the necessary information about the business but they are so complicated that the lay member, in an attempt to contribute to the discussion in the meeting, will find himself bewildered by a vast array of figures. Practically all retail societies follow the general outlines of a standard Balance Sheet devised by the Research Department of the Co-operative Union. This method has helped towards the standardisation of the Balance Sheet for statistical purposes rather than towards the simplification of the form of

accounts. Reports on the educational and social activities of the Society are presented to the general meeting; here the problems are generally within the scope of understanding of the average keen citizen. Criticism, however, lies in the limitation of the report to local problems. On the whole, the initiative in raising controversial issues in order to take effective action at the meeting rests with the organised bodies.

In order to maintain the democratic principle in the management of their Co-operative society the members must exercise first, ultimate control of the general trading policy and, secondly, a continuous check on the standard of service offered. It is by a careful scrutiny of the action of the management committee and a consideration of its future development plans that the members can have the opportunity to express their will and have ultimate control of the general trading policy. The general practice is that the members do not override the decisions of the committee in matters definitely committed to the latter by the rules, e.g. the appointment of the general manager, but they can record their disapproval of the committee's action, and the committee may then cancel that action or the members may pass a vote of censure upon the committee. A democratic committee must feel the sense of the meeting and act according to the members' will. Therefore it can be asserted that great importance attaches to the kind of information given at the general meeting. The report should be

1. A.M. Carr-Saunders, P. Sargent Florence and R. Peers, op. cit., p.291.

concerned more with presenting problems for discussion than telling of the current market developments. Attempts should be made to reflect the Movement's national problems in order that a general opinion may be formed upon them. In safeguarding the standard of service offered by the Society it is claimed that a special responsibility falls upon the members of a retail society. Competition among the retail societies is practically prohibited, and loyalty from Co-operative members tends to limit the effect of competition from private firms. But the sense of belonging to a larger Movement places a special feeling of responsibility upon the Co-operative members, who knows that it is to the interest of himself and his fellow-members to put things right. A clear procedure for raising complaints is embodied in the rules of all the retail societies investigated and the final court in all cases is the general meeting. This arrangement, undoubtedly, has its effect upon the employees, who guard against serious complaints from the members. The extent to which efficient service may be maintained, however, depends first upon the keenness of the members in offering constructive criticism of the service given, and, secondly, upon the complexion of the committee in respect of labour pressure.

The reaction of management committees to labour pressure is dependent upon various factors and this problem is discussed fully in Chapter 8. With regard to members' constructive criticism, the general impression gained from the societies investigated is that although a number of the members actually raise their complaints

through the right channels, the management, the committee and then the general meeting, other, influenced by certain personal considerations, bring their complaints directly to the general meeting. The result is that a large part of the time of the general meeting is absorbed in sifting out complaints. Not all the management committees are aware of the fact that this wrong procedure is detrimental to morale, and diverts the attention of the meeting from important and major issues. General meetings spend a considerable amount of time in discussing the delivery of furniture to a member while they give their approval of the Balance Sheet and the accounts in a matter of minutes.

Checking the economic efficiency of the retail society is another major responsibility falling upon the members. The presentation, by the Board, of the Balance Sheet and the supplementary accounts, is intended to enable the members to supervise efficiency. But as already mentioned, the accounts in their present form do not allow this, and it is indeed the job of an expert cost accountant to determine whether or not waste has occurred. The Statement of Accounts presented to the members should contain ratios rather than the present mass of figures. Ratios should be expressed in simple terms, e.g. "wages during the half-year were 3s. 6d. per £ sales and that compares favourably with the district which in the previous six months paid wages at a rate of 3s. 10d. per £ sales ". Only one society among the six investigated, i.e. Dunfermline Co-operative, gives in the report

a statistical statement showing a number of ratios, such as distributive expenses per £ sales, working expenses per £ sales, and wages per £ sales with a comparison of ratios for the corresponding six months from the previous year. This information could be elaborated and comparison made with district figures or other societies in the district. One does not contemplate the release of more information than is actually given at the present time but rather the same data presented in a simple and understandable way. The suggested method may even solve the problem of releasing too much information which some managers resent, fearing that competitors may make use of them without any equivalent information coming from the private trade. The practice of societies nowadays varies from publishing details for every shop, like the Blantyre and Perth societies, to publishing departmental figures like St, Cuthbert's, Glasgow South and the East Lothian societies, or even publishing only aggregate trade figures, as is done by the Dunfermline society. It is not likely that members would necessarily need detailed information about each shop but only enough to assure them that their society is being run efficiently.

The need for setting up recognised standards of efficiency has been felt by outside observers for a long time; and various suggestions have been put forward to solve the problem,¹ but the leaders of the Movement do not seem to be yet convinced of their

1. A.M. Carr-Saunders, P.S. Florence and R. Peers, op. cit., p.293

value or necessity. It should be realised, however, that the good of the Movement must have priority over the interests of committees or managers. Such a device would stimulate efficiency and would serve as a form of indirect competition between Co-operative societies and even between the various branches of any one society.

A system of 'management audit' should be introduced for checking the efficiency of Co-operative enterprise. This may be undertaken by the Research Department of the Co-operative Union or a department established for the specific purpose of making a comprehensive examination of the policy and practice of the business of the retail society. The audit must cover the Society's membership structure, management, organisation efficiency in production and distribution, and personnel and working conditions, followed by a comparison of the results made with established standards so as to reveal hidden defects and suggest means for their correction. Such an audit would not necessarily be annual, perhaps only once in every three or four years. An annual or half-yearly follow-up of the results, however, should be made by the Society's own staff to show the trend of correction^s and their soundness. Overall reports of such audits, both external and internal, must be presented to the members, who will then be able to check efficiency and contribute to the formulation of policy. The committee of management, on the other hand, will be presented with supplementary reports revealing defects in the organisation, so that they can supervise the application of the adopted policy and check its operation.

One major difficulty which will face this department is to establish certain standards as criteria for efficiency. These may vary somewhat from measures commonly applicable to private enterprise. A delivery service to distant customers may be justified if no other means of supply, Co-operative or otherwise, is available to them. But a shop which operates at a loss because of competition from other retail outlets cannot be justified on any grounds.

An analogy of this system may be found in the step taken by the City Corporation of Coventry in 1952 when it asked for the advice of the Treasury's Organisation and Methods staff to find out whether some of their administrative overhead costs could be saved. The Treasury experts, after interviewing the Corporation officials and analysing their methods found that 10 per cent of the cost could be saved.¹ A recent publication 'The Practice of Organisation and Method'² will illustrate this method of audit which can be adapted to the retail society taking consideration of the different circumstances and methods of a Co-operative trading organisation.

The demand for this 'management audit' is not likely to come from the management staff or the committee members, because any such investigation is bound to reveal defects they might hesitate to show in public, since the consequences might bring strong

1. Observer: 18.10. '53.

2. H.M.S.O., 1954.

concrete criticism from the floor of the general meeting.

Nevertheless, this is one way of enlightening the members and stimulating their interest.

Another major problem connected with consumers' control is that of educating the consumer. Co-operative education must be considered of great importance, not only on the grounds that it constitutes part of the social aims of the Movement, but also on the basis that it is essential for the growth of a healthy Co-operative democracy.

The general outlook of the Co-operative Movement towards education has changed since its early days owing to the influences, outside and inside the Movement, of a new educational philosophy and the subsequent increasing facilities. Educational opportunities in the 1840's were confined to the privileged classes, and there was no state system of education. The Pioneers' Society considered education as an integral part of the Co-operative system, and their idea of education as they practised it, was a general scheme of arts and science subjects. As new educational agencies became available, such as ^{the} University Extension Movement and the Workers Educational Association, Co-operators began to feel that their educational work was no longer necessary. ¹ In 1882 a special committee was formed to investigate Co-operative education and its findings affirmed that there was a special educational job for the Co-operative Movement to perform. This was education on 'Co-operation' specifically, or the teaching of the purposes and

1. G.D.H. Cole, A Century of Co-operation, p. 231.

social ideals of the Co-operative Movement. Since then, Co-operative education has taken a specialised form and the Co-operative Union has undertaken the responsibility of organising short-term schools and drawing up syllabuses on various social and technical subjects directly related to 'Co-operation'. Today the Co-operative Movement regards its educational work as having two aims, (a) the teaching of the aims and objects of the Co-operative Movement, and (b) the propagating of Co-operative theories and ideas by teaching the structure and organisation of the methods of Co-operative work in order to ensure an adequate efficiency in Co-operative service for the common good of all and the peace of the world.¹ Thus educational work is directed towards the teaching of both member and employee, each according to his requirements.

Educational work in the retail society is organised by the education committee, which is elected at the members' meeting. But as we have already mentioned in this Chapter, education committee reports are confined to announcing the dates and functions of their meetings. Management staff do not regard this as an important part of the Society's activities. A recent survey asserts that a great deal of the use and effectiveness of educational work within the retail society depends upon the co-operation between the board of management and the education committee.² The interest and enthusiasm of the members of the management committee is indeed of vital importance. As a result, the report recommends that

1. Report of the Special Committee on Re-organisation, Congress Report, 1946, p.

2. Ibid, p. 148.

ultimate responsibility in education should rest upon the management committee and, if necessary, a sub-committee should be formed for the furtherance of educational work. These suggestions failed to gain support at Congress and there appears to be no change in the general practice of retail societies in connection with these recommendations.

At this stage it is relevant to consider briefly, the organisation and work of the Scottish Co-operative Women's Guild, by far the largest independent organisation operating within the Scottish Co-operative Movement. The Scottish Women's Guild has a wide and powerful influence upon the Co-operative Movement in Scotland. In the year 1951-52, it had a membership of 33,392 organised in 498 local branches. Several branches may be attached to one Society. In Edinburgh, for example, in 1952, there were 39 branches, with a membership of 2,409, attached to its three Co-operative Societies.¹ The organisation of the Guild is democratic in principle. The basic unit, which is the local branch, is an autonomous self-governing body. Branches are grouped into sections, eight in all, each with an elected sectional executive committee. The committee is responsible for the organisation and development of guild activities in the section. A Central Council, which comprises two representatives from each

1. Scottish Women's Guilds Sixty-first Annual Report and Balance Sheet for the year ending March, 1953.

section, is in charge of the national administration of the Guild. It organises the Annual Guild Congress, which is attended by delegates appointed by the local branches, and which determines¹ the policy and programme of the Guild.

It is known that Guild members usually find their way more easily to educational committees than to boards of management. In some cases educational committees are composed entirely of women, or have a majority of women members.² The interests of the Guild have passed from purely educational matters to a mixture of education and political issues with the result that the tone of resolutions submitted to its annual congress is becoming predominantly political. It is, however, claimed that this political bias only appears in resolutions, and that the actual work in which the branches are engaged is predominantly cultural and social. All indications show that if the guilds are to play their part effectively in the Co-operative Movement, they should concentrate on education, which is their most fruitful field. Management committees should be made to understand that the guilds are doing a useful job, which could be even more useful if they were given a little encouragement. The guild members could be of great benefit to the Movement if they were to co-operate wholeheartedly in some consumer market researches, possibly conducted by the S.C.W.S.

As stated above, it is the writer's view that education by

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1. K.M. Kallen, History of the Scottish Co-operative Women's Guild, 1892-1952.
 2. Co-operative Union: Scottish Sectional Report, 1943.

the Co-operative Movement should aim at stimulating the members' interest in the Movement; this can be done by educating the member first as a consumer and secondly as a Co-operator. The Co-operative Movement could greatly benefit itself, and, for that matter the community at large, if it were to pay attention to the study of consumers' real needs and find out how they could best be satisfied. With its vast resources and available facilities, the Co-operative Movement is in a strongly advantageous position to perform this job. The Movement should consider that education is an integral part of its ethics, and on these grounds, the suggestion that responsibility for education work should be that of the management committee, must be fully supported. A new executive position in the retail society might be created for an organiser of education work for both members and employees.

2. The Scottish Co-operative Wholesale Society.

The control of the S.C.W.S. suggests a somewhat different problem from that of the retail societies. The latter are exclusively consumers' organisations whereas the Wholesale Society includes in its membership producers' as well as consumers' societies. Also included are a few agricultural Co-operative societies, and the Employees' Shareholding Association. This mixture of membership, with its diverse interests, may be expected to present a problem in the control of the Federation. It is true that ultimate control lies in the hands of the members, but voting power, as already mentioned, depends on purchases from the

Wholesale; control, therefore, is consequently concentrated in the purchasing societies. As shown in the table below, the Scottish retail societies comprise about 85 per cent of the membership and their trade with the Wholesale amounts to 94 per cent of the sales to member societies. Purchases made by the U.C.B.S. which is exclusively a consumers' organisation, amount to 4.8 per cent, thus making sales to the consumers' societies amount to approximately 99 per cent of the total sales to the members.

Table 23. Trade and Capital of the S.C.W.S.

1

Type of Society	No.	Purchases for year ending 24.1.53 £,000	Percentage to members' Purchases	Percentage to total S.C.W.S. Sales	Capital claims on 24.1.53 £,000	Per- centage to total Capital
Retail Societies in Scotland	177	61,556	94.1	74	13,321	91.51
U.C.B.S.	1	3,148	4.8	3.8	614	4.22
Other societies (Members)	29	747	1.1	0.9	621	4.27
Total (Members)	207	65,451	100.0		14,556	
Non-members		13,531		16.3	2	0.00
S.C.W.S. Retail Branches		4,133		5.0	-	
Total		83,115		100.0	14,558	100.00

Source: S.C.W.S. Ltd.: Details of Societies' Trade and Share and Loan Accounts, year ending 24th January, 1953.

1. Not including deposit certificates which amounted to £219,605.

The Scottish retail societies' voting power amounts to about 96 per cent of the total number of votes allocated to S.C.W.S. members. Attendance at general meetings is exclusively composed of representatives from retail societies. Moreover, the Board of Directors has always consisted of representatives of the retail societies only, without representation of the other elements in the membership. Thus the S.C.W.S. is predominantly, if not exclusively, a consumers' organisation. This fact is further emphasised by the composition of the capital of the S.C.W.S.: as shown in Table ..., 95.7 per cent of the capital is supplied by the Scottish societies. In fact, the only incentive for these other organisations, apart from the employees', to join the Wholesale, is to secure a continuous contact with a large buyer and thus have a ready market for their products. The Employees' Association was originally formed to arouse and stimulate their interest in the organisation, but from the long experience of the S.C.W.S., this device has failed to achieve that end.¹

Another problem relevant to the democratic control of the S.C.W.S. is the influence of the large retail society. The system adopted by the S.C.W.S., unlike that of the English C.W.S., prevents to a certain extent the concentration of power in a small number of large societies. In a recent S.C.W.S. general meeting the total number allocated to member societies was 897, half of which was held by ninety-eight societies. The English C.W.S. allocates to each society one vote in virtue of membership, one

1. See pp. 166-168.

vote for the first £12,500 of purchases, during the preceding twelve months, and one vote for each £25,000 of purchases beyond that amount.¹ The total voting strength of the 1,037 societies which are members of the C.W.S. is 15,804 votes. Out of this total the twelve largest societies control 3,267 votes.²

Although concentration of power within a small number of large societies may have the advantage of allowing leaders from the larger societies to give a wiser and more enlightened judgment on important matters,³ yet it allows bargaining among the larger societies for support of each other's candidates for election to the board. A more important objection is that this method diminishes the importance of the small society, which may in the long run lose interest in an organisation the actual control of which lies in the hands of the larger society. All societies, large and small, have an equal chance to nominate and recommend their representations to the board. The composition of the board in 1950 was as follows:-

Societies represented on the S.C.W.S. Board in 1950

Society Represented	Memberships in 1950	Society Represented	Memberships in 1950
Tillicoultry	2,431	Carstairs	22,983
Dykehead & Shotts	4,533	Kilmarnock	28,410
Methil	6,560	Clydebank	28,559
City of Perth	11,539	Leith	30,297
Dumbarton	13,060	Glasgow South	72,126
Dumfries & Maxwelltown	16,780	St. Cuthbert's (Edinburgh)	90,579

Sources: S.C.W.S. Balance Sheet and Co-operative Statistics for 1950

1. Rules of the C.W.S.Ltd., Reg. No. 525 Lancs., Rule 8, p.4.

2. Information supplied by the C.W.S.

3. A.M. Carr-Saunders, P.S. Florence, and R. Peers, op. cit., p.274.

The nature of control exercised by the retail societies differs from control by the individual members of the retail societies. The general meeting of the Wholesale is said to serve more as a check on efficiency than as a determinant of policy.¹ A quarterly report to the general meeting gives a statement of the Society's trade for the quarter, embodying a comparison with the corresponding period in the previous year. Each of the three committees submits to the meeting a report on the work of the departments under its supervision and details of any new activities, fittings or installations. The meeting is also informed of the board's collaboration with outside organisations, upon which the S.C.W.S. have representation, or with which it is associated. Brief statements are given of overseas deputations. The most important item discussed in a general meeting, and that which draws the largest attendance, is the Annual Balance Sheet. Detailed statistical and financial information about all S.C.W.S. activities, productive and distributive, is given to the meeting. The amount of details given is much more than usual in a joint stock company meeting, or even in a general meeting of a retail society.

Having accepted the conception that the general meeting is actually a check on efficiency, one is bound to ask the question, "Where is policy formed?" The answer may be found in a number of committees that have been formed, the common object of which is

1. A.M. Carr-Saunders, B. S. Florence and R. Peers, op cit., p.278.

to formulate a working policy between the Wholesale Society and its constituent societies. There are three management consultative committees, for furniture, drapery and footwear, charged with the responsibility of investigating methods for sales promotion, improvement of design, and other technical and marketing problems of the trade, and then making recommendations to the board.

The three committees are advisory in capacity and are similarly constituted. The 'Furnishing' Management Consultative Committee, for example, is composed of two S.C.W.S. directors, the S.C.W.S. Furniture Manager, three general managers of retail societies and seven retail furnishing departmental managers. Retail societies' representatives on these committees are appointed by the National Co-operative Managers' Association. The findings of these committees are also communicated to the retail societies. In 1951 a permanent Joint Committee for "Fixing Maximum Prices" was formed to present recommendations for fixing maximum prices for S.C.W.S. products. It is composed of five delegates from the N.C.M.A. and four S.C.W.S. directors. This step was resorted to after many appeals to the retail societies to accept and support a 'fixed price' had failed. Furthermore, as a result of a board decision, two S.C.W.S. directors now visit all the retail societies in Scotland, meet their management committees and managers, and discuss with them current problems facing the Wholesale and retail societies, and generally bring about closer understanding between both. Sources of dissatisfaction are explored, difficulties thrashed out, and remedies found. These meetings have served to

ventilate persistent problems and are of great value in enlightening the board, regarding the retail society's viewpoint. Furthermore the structural organisation of the Co-operative Union allows more representative contact between the retail societies and the Wholesale. Indeed, the Co-operative Union is only an¹ organisation expressing the policy of the Movement.

Through these various points of contact between the Wholesale and the constituent societies the will of the member societies is conveyed to the board, which acts accordingly. The policy of the retail societies, or, for that matter, of the Movement as a whole, is expressed through the various committees and organisations, such as the Co-operative Congress, the Co-operative Trading Association and the Joint Trading Committee. The board is expected to make itself aware of policy trends and to put them into action. The general meeting of the Wholesale is therefore rightly placed to serve as a check on the board's management of the organisation.

The S.C.W.S. should be considered as, fundamentally, a trading organisation, safeguarding and providing the interests of its member societies. Viewed as such, the Wholesale Society is democratically controlled by its member societies. The fusion of the Movement's economic and social aims therefore becomes necessarily a function, not of the Wholesale Federation, but of the Co-operative Union.

3. The Co-operative Union.

A study of Co-operative democracy in action cannot be complete

1. See pp. 233-236.

without examination of the organisation and work of the Co-operative Union. In fact, apart from any collective consideration of their interests through their relations with the S.C.W.S., the retail societies have no means of unified action or thought, except through the machinery of the Co-operative Union. The organisation of the Co-operative Union at district, sectional, and national levels, provides the Movement with a complete chain of structure¹ and sub-structures, linked with one another for the purpose of focussing attention on important national problems and formulating a public Co-operative opinion that could be recognised as the Movement's general policy. The recent re-organisation of its structure has specifically given formal recognition to the Union's tripartite function - that of education, politics, and trade developments.

At district level there are the Co-operative District Councils (Associations) established as a result of a congressional resolution in 1945. The district association includes in its membership all societies in the district in membership with the Co-operative Union, and all auxiliary organisations of these societies, such as the guilds and the society co-operative parties. The object of these associations is, "to promote the interests of the Co-operative Movement in the district by co-ordinating educational and political work of the societies, and in making known its principles and methods, and assisting in every way their application in all that relates to the needs of the community."¹ The internal organisation of the association is left to the societies in the district, but

1. Congress Report, 1945, p.159.

generally it comprises three committees, the trading, the political, and the educational, the last two being sometimes merged into one.

District councils are representative bodies of the retail societies in the district; one representative from each society, who must be an official or a member of the Board of management, together with one member appointed by the Sectional Board. These councils are charged to bring under discussion all matters relating to the trade of the societies in the district and to review trading conditions and Co-operative retail outlets therein. They are also responsible for forming the necessary plans for the development of Co-operative retail and wholesale trade and the sale of co-operatively produced goods.¹ The district executive meets monthly and reports quarterly or half-yearly to a full meeting of the council. The association assembled quarterly or half-yearly in special conferences convened by the district council. Voting, in these meetings, is allocated to societies according to the number of their members whereas auxiliary bodies attached to societies are entitled to one vote each. Matters raised for discussion at these meetings are varied and wide in scope; for example, such matters as an attempt to reach a boundary agreement for all societies in the district; an explanation of the policy advocated by the Co-operative Union's Financial committee; an attempt to reach agreement on a standard dividend rate for the district, and a discussion upon a topic of national importance

1. Co-operative Congress, 1945, p.158.

put forward by the Co-operative Union's Central Executive so that a broad decision based on the expressed opinions of the district associations can be reached.¹ Shortly before Congress, some district councils convene a meeting of all societies in the area to consider subjects that are likely to come before congress. These meetings help to give all concerned a clearer view of what is involved, and the case in favour of the common interest of the district can be effectively presented.

Activities at district level in the fields of education and politics are generally aiming at the co-ordination of societies' work in the district. Sometimes part-time youth organisers are appointed to give help and guidance in the establishment of youth clubs; district education associations are formed with the membership of societies engaged in education work; federations of the local society co-operative parties are formed, again with the object of consolidating and co-ordinating political activities in the area.

At the sectional level there is the Scottish Sectional Board comprising ten members elected by the retail societies on a geographical and membership basis. Sectional activities like those in districts, cover three fields. In the field of trading there² are the trading associations for baking, coal, meat and milk. Each association is governed by a committee of elected

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1. Cf. Annual Reports of the Scottish Sectional Board, 1952-3 and 1953-4.
 2. Certain changes have been made recently in the structure of trading associations at sectional level but the Scottish section has been excluded.

representatives of the retail societies engaged in the trade, one representative for each district. These committees also include appointed representatives from the S.C.W.S. and the Sectional Board and in the case of the Baking Trade Association two representatives of the U.C.B.S. These sectional trading associations are parts of the national trading associations operating over the whole of Great Britain. They are advisory and consultative and their decisions are not binding on the societies affiliated to them. They aim at consolidating and promoting Co-operative trade with the full support of the wholesale societies. The Scottish Education Association is similarly part of the National Association, a council of thirty four members being responsible for directing the Association's business. District representation of societies engaged in education work is provided for, together with representatives of the district councils. Auxiliary bodies are also represented in the Education Council. An Education Officer and a Youth Organiser work under the authority of the Sectional Secretary. The political activities are in charge of a Scottish Committee of the Co-operative Party, which includes elected representatives of the local party societies and appointed representatives of the party federations, the Co-operative Press, the Men's and Women's Guilds, the S.C.W.S. and the U.C.B.S.

At the National level, the Co-operative Union is governed by the Central Executive, which has become since 1952, the Union's supreme executive body between the annual congresses. The Co-operative Congress corresponds with the general meeting of the Co-operative society. The Central Executive is a representative

body of the retail societies on a Sectional basis, the C.W.S., the S.C.W.S., the Co-operative Press, the Co-operative Party, and the Co-operative Production Federation. Two principal committees are appointed by the Central Executive from among its members, i.e. the General Purposes Committee and the Parliamentary Committee. Other committees also function within the structure of the Co-operative Union. There is the Education Executive, which controls the education department and the Co-operative College; another joint committee in which the wholesale societies are represented, organises technical education. There is also the National Committee of the Co-operative Party, which includes representatives from the Sectional boards, societies affiliated to the local party organisations, and the two wholesale societies. Trading associations at the National level are governed by executive committees, each composed of members, representative of and appointed by, the Sectional boards, the Central Executive, the C.W.S., and the S.C.W.S. An organising secretary of each of these committees acts under the authority of the General Secretary of the Co-operative Union.

This comprehensive, but closely knit, organisation of the Co-operative Union clearly reflects its present-day functions towards the Movement which might be summarised in the following way:-

1. The first and most important function is that the Union provides a means for discussion, and assists in the formulation of a universal policy as an outcome of that discussion. The Union

has no power, beyond that of moral persuasion, to compel its members to follow its national policy. It may have some coercive influence, but only of a minor nature. For example, when the societies in one district announced their intention to do away with the district council, the Union retaliated by ruling that in case of such action being taken there would be no other organisation¹ recognised in that district.

2. The Co-operative Union is charged with the responsibility of spreading the principles of the Co-operative Movement through the medium of its political and educational organs. Its duty here is the co-ordination and standardisation of the diverse efforts of the retail societies. Standard courses in social and technical education have been drawn up to suit the requirements of the members and the employees. In Scotland during 1953, there were 1,972 employees and 3,492 adult members attending classes organised² by or in collaboration with Co-operative educational bodies. Of the retail societies there were 137 with a membership of 964,404³ affiliated to the Co-operative Party.

3. The importance of the trading interests of the Movement has been emphasised in recent years, particularly the need for organisation and planning at district level. This has been found necessary so that a continuous reviewing of co-operative trading conditions in

1. Scottish Sectional Report, 1953-4, p.13.

2. Returns from the Report to the Annual Meeting, Scottish Co-operative Education Association, March, 1954, p.9.

3. Returns from the Annual Report of the Scottish Committee of the Co-operative Party.

the district can be made and plans for Co-operative development can be introduced to societies. The advantage is that the national implications of the problem can be visualised.

4. The Co-operative Union has, for a long time, been accepted as the official voice of the Movement. It is the official Co-operative body recognised by Government departments, and the Movement's representative in giving evidence before commissions of inquiry. The comprehensive wage negotiation machinery operating for the Co-operative societies is the result of the Co-operative Union's efforts in setting up acceptable machinery for conducting wage negotiations and settling disputes.

5. The Central Executive has been given power to form special commissions of inquiry to investigate certain aspects of the Movement. Before 1945 this right was confined to Congress. Work of great benefit has been done through such inquiries, recent examples being the "Financial Committee" and the "Dividend Policy Committee".

Both horizontally and vertically the Co-operative Union preserves the localised nature of the constituent societies. This point was specifically mentioned in the first report of the Re-organisation committee submitted to Congress in 1945. The report reads, "A national approach shall be taken in all matters of major policy affecting the Co-operative Movement. It is understood, however, that in such national approach the autonomy of societies shall be entitled to full respect. Therefore the Co-operative Union shall be recognised as the centre of co-ordination in the

branches with a view to the ultimate establishment of a¹ Co-operative Movement". This undoubtedly, is one essential feature of Co-operative democracy. The autonomy of the local unit must always be preserved while sufficient thought must be given to national issues. This same feature, however, has necessitated the creation of a vast number of committees, from the district executive to the national committee. The Co-operative Union's responsibility is not by any means executive; it is mainly a functional service: the making of plans, the giving of advice and guidance, and the formulation of a commonly agreed policy. It is because of the nature of its responsibilities that the method of committee administration is the most suitable.

An essential characteristic of the recent re-organisation is that it gave recognition to the Movement's three fields of activity, trade, education, and politics. Nevertheless there is a feeling that the business experts of the Movement work in a field widely separated from the fields of the politicians and the educationists. The fact still remains that the managers of societies are² exclusively interested in business and trade. Co-operative literature lays greater emphasis on the political and social aims of the Movement, and the accusation made by Co-operative politicians and educationists is often heard that social aims are neglected. The objects of the Co-operative Union, as described in its constitution, among other things, aim at propagating co-operative principles and ideals, and organising work in all its

1. Co-operative Congress Report, 1945, p.155.

2. Cf. A.M. Carr-Saunders and others, op. cit., pp.287-288.

branches with "a view to the ultimate establishment of a¹ Co-operative Commonwealth". Under present-day conditions, this ultimate objective undoubtedly needs some adjustment. It was quite justifiable in the days of the Pioneers with their high aspirations; but today, with the growing knowledge of the economics of business, large-scale production and the advantages of the specialisation, and, most important, with the uprise of the welfare state and its becoming a practical reality, it is apparent that a re-appraisal of the Movement's ultimate aim is needed. Perhaps a new Co-operative philosophy should be formulated in the light of the changing circumstances. The present leaders of the Movement, however, are not unaware of this fact. "Although the Movement is stronger today", writes the Secretary of the Co-operative Union, "both in the number of people who support it and the material wealth which it commands, that conception, the Co-operative Commonwealth, appears² to have fallen from favour as a social objective and ideal". A re-consideration of these social objectives is an urgent necessity. If a new philosophy can emerge with the universal acceptance from all those engaged in furthering the Movement's cause, a unity of purpose can be achieved and maintained.

1. Rule I.

2. R. Southern, The Co-operative Union and the Future
People's Year Book, 1949, p.13.

C H A P T E R V I

Management and Organisation in Co-operative Enterprise

1. The Retail Society

The term "management" as used in this thesis, and as it is commonly known within the Co-operative Movement, implies the whole function of determining the policy, controlling the executive, and co-ordinating the various functions necessary for the achievement of the concern's ultimate aims. It also includes the actual executive function.¹ In other words, it includes the meaning of the terms "management" and "administration" as they are used in modern management literature.

Industrial and trading activity can be organised under one of various systems of control and ownership within the privately or publicly controlled systems, the latter including the state-owned, the consumers, and municipal enterprise. The problems and nature of consumers' control have been discussed in the previous chapter. Control of Co-operative enterprise being essentially different from private enterprise, the question arises whether this difference in government effects a difference in the form of organisation and the principles appertaining to its administration.

The problems of the structure of industry have been examined in detail by Professor Sargent Florence² who reached the conclusion that questions of structure are mainly dependent on technological

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1. What is in mind here is the common use of the terms "Management Committee", "General Manager", "Departmental manager" and "Shop manager".
 2. P. Sargent Florence, The Logic of British and American Industry, Chapter 11.

and not on ideological or sociological factors. In other words, the social ideals of the organisation do not have any effect on its set-up, which is mainly dependent on the nature of the work to be done. Therefore, business undertakings, whether privately or publicly owned, are identical in structure.

Co-operative shops are not different from their counterparts in private trade, nor are Co-operative factories. The technique of management, whether utilised in running a factory, a shop, or a government department, must essentially apply the same principle, since the nature of the problem is always the same, viz., organising human effort. But the ideology of the organisation must necessarily have an effect on the manner in which the managerial responsibilities are discharged. On a closer examination of the practice of management in Co-operative societies, however, one can trace certain differences in the "vitality" of the concern. ¹ "Vitality" in this sense has been used by Sir Charles Renold to imply an immanent and spontaneous quality in the community at work or in the organisation as a team of human beings. The vitality of an organisation depends upon the diffusion of initiative and responsibility. "Responsibility should imply answerability for results within the field of permitted initiative" ² In comparing Co-operative societies with private companies, one finds differences in this degree of permissible initiative throughout the line of command and more so at the upper levels of authority.

1. G. E. Milward, Large-Scale Organisation, p.217.

2. Loc. cit.

Starting from the top the Management Committee of the retail society is different in its structure and functions from the Board of Directors operating in private enterprise. The responsibilities of the General Manager or managing secretary are in the same way, different from those of his equivalent in private trade, namely the managing director. It is with the nature of these differences, the reasons which account for them, and their effect on the relations between the various administrative positions, that we are concerned in this chapter.

In assessing the reasons for the difference in practice discernible in the management of a number of large-scale organisations, Sir Charles Renold attributes this^{to} diversity in circumstance and purpose. The problems to be solved in each organisation reflect clearly the difference in circumstance. He suggests the following four determinant considerations as affecting the features of organisation and management practice:-

- "(1) Whether the undertaking is subject to public scrutiny and criticism, not only of policy but of details of behaviour.
- (2) Whether it is a trading or non-trading undertaking.
- (3) Whether it is subject to consumer choice.
- (4) Whether large size is due to the re-duplication of units of one and the same type of activity or to the conglomeration of many units of different activities - i.e. whether size is due to repetitive extension or to multiplicity of variety." ¹

Although the difference in circumstance between the co-operative and private enterprise does not follow closely in these lines,

1. Ibid., p.216

since both are trading and subject to consumers' choice, it is suggested that we consider the effect of each of these features, perhaps with some adjustment, on the management of the Co-operative society.

The first feature "public control" is perhaps the most important, for although it is not directly applicable to the Co-operative society, the effect of "consumers' control" is not far different. Consumers control places on the management committee, the responsibility of explaining and justifying all its actions, including those of the employees, before the general meeting of members.

The rules of the retail society provide that the management committee should report to a general meeting of members, held quarterly or half-yearly, on their running of the business. In all cases, as we have seen, a balance sheet and a comprehensive statement of supplementary accounts are presented to the meeting. Although in practice the general meeting does not go into detail in analysing the accounts presented, the mere presentation of such detailed information in public puts an extra burden on the management committee and the staff. It is likely that they may be questioned on any details appearing in the statement and they must be prepared to justify their actions. Moreover, complaints may be raised at the general meeting, for which the committee, or the General Manager on its behalf, has to answer. The more the members get interested in the details of the business the deeper

the effect will be on the managerial process. The committee of management and all top executives in this case need to be well informed in the details of the business and the behaviour of the employees. This undoubtedly puts limitations on the freedom of executives in reacting to any spontaneous situations, many of which crop up in the everyday management of a business undertaking. Therefore, as in publicly-controlled organisations, the rule of the book needs to be followed wherever possible. Hence centralisation becomes a necessity and this hampers initiative. The degree of supervision exercised by the committee and the manner in which they perform their duties has, undoubtedly, a great effect on the vitality of the organisation. We have seen from the case studies presented in Chapter 3, that the freedom of the top executive varies from one society to another.

There is general agreement in principle that the committee is concerned with policy matters but in practice the matter depends largely on the long-established traditions, in the society, in respect of the division of responsibilities in the organisation, and on the personality of the General Manager vis-a-vis the committee. East Lothian is the only society in which the General Manager is considered a member of the board in his capacity as treasurer of the society. In two societies, namely Glasgow South and Dunfermline, the manager makes himself responsible for the results and thus the committee is set aside in so far as details are concerned. In these two cases the General Manager or managing secretary makes it a point

to attend all board meetings from beginning to end. In another society the manager does not attend the meeting except when the board finds his presence necessary. This in our view is likely to have some undesirable repercussions, first the General Manager may feel that something is being kept from him and secondly his understanding of the committee's policy will be confined to what he receives from them. The attendance of the General Manager at all board meetings is most advisable, as this makes him more conversant with the committee's intentions and views. His presence at these meetings is also necessary for maintaining his prestige among the personnel of the society. Employees should be made to understand that the General Manager is the supreme executive authority in the management of the organisation.

The Board's supervision of the society's business again varies from one society to another. In certain cases the General Manager has to report on the general trend of progress. In other cases the General Manager has to account for a considerable amount of detail before the committee, such as the hire-purchase lines or the renting of vacant houses. This is not like control as exercised by a Board of Directors in a joint stock company, where the board is mainly, if not exclusively, interested in financial control.

One, however, cannot put the blame on "consumers' control" for if this control were confined to general policy as it should

the effect will be on the managerial process. The committee of management and all top executives in this case need to be well informed in the details of the business and the behaviour of the employees. This undoubtedly puts limitations on the freedom of executives in reacting to any spontaneous situations, many of which crop up in the everyday management of a business undertaking. Therefore, as in publicly-controlled organisations, the rule of the book needs to be followed wherever possible. Hence centralisation becomes a necessity and this hampers initiative. The degree of supervision exercised by the committee and the manner in which they perform their duties has, undoubtedly, a great effect on the vitality of the organisation. We have seen from the case studies presented in Chapter 3, that the freedom of the top executive varies from one society to another.

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monthly, and focussed on vital matters of policy. It seems that most of the management committees at present are so much involved in internal problems that little or no attention is given to the wider problems of the Movements. We have seen that relations with outside bodies, Co-operative or otherwise, are rarely discussed by the board. It is true that the average committee member is only a layman, but that should make him the more qualified to focus his attention on meeting the members' needs rather than indulging himself in the technical details of management. It is all very well for the committee to decide/^{whether} a new shop is desirable and practical given the necessary advice from the management staff but the actual choice of site is definitely a matter for the expert. Similarly the selection and appointment of employees are matters which should be left to the General Manager or his deputies. A closer examination of the activities of the management committee reveals the fact that in a number of cases they are mostly interested in what gives them personal authority or influence in their community.

Democratic control of the retail society has a direct influence on the management committee, which is usually sensitive to any pressure coming from the members generally or from any particular group of members. Thus as we mentioned in the last chapter it may happen that an interested section of the membership succeeds in exerting its influence on the general meeting. The committee in most cases, becomes reluctant to take measures which are likely to make it unpopular with one of the interested groups, though these measures may be to the benefit of the general body of members.

This brings to our notice the need for a clearer definition of the functions and responsibilities of the general meeting. Here again no interference in management details should be exercised except of course when constructive criticism is forthcoming. In a word, the whole conception of consumers' control needs to be reconsidered and defined with clarity and objectivity. By consumers' control in this sense is meant control by the members in their general meeting, and control by the committee.

The fact that the Co-operative Society is primarily a trading organisation places it within the category of trading undertakings as distinct from non-trading ones. According to Renold, this feature provides the organisation with a ready-made yardstick of efficiency, i.e. the trading results. But in the case of the Co-operative Society the profit motive is not the ultimate driving force and therefore, trading results are not all that matters although the Movement cannot work at a loss. There is the kind of consumers' service offered, its completeness, and on the whole, the satisfaction of consumers' needs. In other words the impact of the Movement's social ideals on its business policy must always be taken into consideration. Co-operative enterprise claims that it is not only the pure economic results that it is seeking but that there are ethical considerations to be observed, ethical considerations which, though they may have a parallel in the social responsibilities of private enterprise, are essentially of a different scope and nature. This ethical factor tends to place certain limitations upon the degree of permissible initiative

at the lower levels of management close to where the service is performed. The effect of this on the structure of the organisation is a centralised machinery of management. Buying and pricing of goods is in practically all cases centralised at the level of the General Manager or the departmental manager. The local shop-managers take no part in such decisions, decisions which certainly influence their selling record. The engaging and dismissal of employees, their wages, training and promotion are all regulated from the centre. The ethical consideration, therefore, lessens to a considerable degree what Renold relates to the trading factor that - "expenses can be judged in relation to the values they produce and both can be related to the fields of personal responsibility." Such fields of personal responsibility are not so clearly visualised and the result is a tendency for centralisation. Decentralisation can only be brought to effect without the risk of abandoning the social ideals, if employees at all levels know well what is involved and exert themselves to that end. Unless the employee knows well what the customer on the other side of the counter really needs and how, according to Co-operative doctrines, he can best satisfy these needs, the employee cannot be expected to serve the Movement's aims. Hence the vital importance of the education and training of the Co-operative employee and the Co-operative manager.

The fact that consumers' co-operation in this country operates in a society which is predominantly served by capitalist enterprise

puts greater weight on the trading results of the business. No matter how important the ethical considerations are, the Co-operative shop cannot be operated at a loss. One must admit that the predominance of capitalist enterprise tends to put certain limitations on the practicability of the Co-operative social aims. The Movement's success in the latter is essentially dependent upon the Movement's achievements in the trading field. Decentralisation of initiative is of utmost importance in trading undertakings where "enterprise and vitality should be the very first consideration in¹ advising the organisation."

Another characteristic of Co-operative retailing is the distribution of surplus in proportion to purchases. Since the rate of dividend is taken, in many cases, as an indication of efficiency, and the dividend itself is considered as an income to the family, freedom of management in using the surplus realised is largely restricted. Although it may be generally realised that a reduction in the rate of dividend is advisable, management committees are reluctant to reduce the current dividend rate. The Movement with great advantage could compete with private enterprise if a general policy of reducing the dividend were adopted and retail prices were consequently reduced.

The third determinant in Renold's suggestions is consumers' choice. Unlike consumers' control, consumers' choice, is a scrutiny of the results of Co-operative management and not the procedures by which the results are achieved. The need for enterprise and adaptability to consumers' needs is obvious. The

1. G.E. Milward, op. cit., p.219.

wider the choice before the consumer the more urgent becomes the need for adjustment to the changing circumstances. These are the general principles that must be observed whenever the consumer is free to choose between more than one source of distribution to satisfy his or her needs. The test of consumers' choice is obviously the variety of distributive centres. The Co-operative Movement is not in any way monopolistic, yet there are certain factors which restrict the freedom of choice of its members. Loyalty to one's Co-operative society is still an asset to be banked upon in selling goods at the Co-operative store, and this is particularly true in smaller towns and villages where community ties are strong, and in the field of convenience goods where there is no strong attraction of publicity or propaganda campaigns. Consumers' choice is also restricted where the Co-operative service is the only available one in the locality, e.g. in the case of the one and only drug store which is Co-operative in a small town, or a Co-operative milk delivery service in a side street where it is the only one available. Restriction of choice in this case, however, is not a result of Co-operative influence but of the absence of competition from other types of retail service. The effect, nevertheless, is the same, namely an added advantage to the Co-operative store. Dividend has a special appeal to thrifty people and here again there is a psychological effect on consumers' choice. Certain societies confine their stocks of certain goods to Co-operative products only. This in itself has a restrictive effect on the consumers' choice and it is the psychology of the dividend

that intensifies this effect.

The restrictive factors just cited do not, by any means, relieve the Co-operative store from adaptability but they tend to limit the number of consumers changing from one shop to another as a result of temporary attractions. The effect, therefore, is a slight relaxation of the need for adaptability to changes in consumers' needs. It must be realised, however, that, as time goes by, the Co-operative store is gradually losing these advantages. Nowadays the Welfare State is looking after the citizen practically from birth to death, and thriftiness is therefore becoming less important. Fashions and styles are all the time becoming more popular and attractive, and thus the Co-operative store cannot depend so much on its customers' loyalty as it used to do. Moreover, competition from other types of retail organisations, particularly multiple shops is becoming more intense. The necessity, therefore, arises for quicker response to consumers' changing needs.

Adaptability implies vitality and initiative, and decentralisation therefore becomes a necessity. On the other hand, response to changes in demand requires the knowledge at the right time of the potential changes and their significance, a problem which has been given little consideration in the Co-operative Movement. A case can be strongly supported for the establishment of a special department, in every society of a medium or large size, for the study of the market. Information

can be collected from employees at the front line and from the mass of data readily available to every society about its customers' purchases. Moreover the economic trend of the market can be studied by the specialist, and the society can then adjust its policy in respect of market fluctuations. This sort of investigation and research may seem costly even to a fairly large society like St. Cuthbert's, but if standard methods of investigation could be devised, and societies were to get all the possible help from a central department operated by the Co-operative Union, the results might be very remunerative to the Movement at large. A special official could be appointed in every society of medium or large size to study the market and suggest improvements. Small-sized societies might depend on the Co-operative Union to carry out the necessary investigation on their behalf. This point has been stressed by some writers in the subject of retailing. "It is with reference to external developments such as changing business conditions, alterations of consumer buying habits, and broad social tendencies that the qualities of foresight and imagination are most valuable. Indeed it is practically necessary, certainly in a large business, that an executive keeps himself sufficiently aloof from detailed problems of internal management to be able to view the changing external scene with some perspective and detachment."

The fourth determinant of organisation and management in large

organisations is whether size is due to repetitive extension or variety. The average retail society may not strictly be a large organisation in the sense used for manufacturing businesses, but its physical structure makes it susceptible to similar problems. Indeed the organisation of the retail society, like that of multiple shops, faces at a relatively early stage in its growth certain problems which do not arise in industry until an undertaking is so large as to warrant decentralisation into many separate factories.¹ The retail society as a unit serves a specific area with shops spread all over, but grouped in small numbers, and each group comprises a complete set of the services offered by the society. The shops belonging to each department and situated at different points may perform the same work but they operate under different circumstances. The site of the shop, whether it is in the middle of a residential area or in the centre of a city, the degree of competition from other retail outlets in the same street and, the number and type of customers that patronise the shop, are all factors which call for adaptability to local circumstances. In the East Lothian Society as we have seen, the shop-manager has wider authority delegated to him to enable him to perform the functions which in the usual way are performed by head office. In Edinburgh, St. Cuthbert's Society operates shops both in the centre of the town and in the suburbs each has to be operated according to the requirements of the locality. In spite

1. A.J. Sainsbury, *The Management of Multiple Shops*, p. 5.

of this divergance in condition, however, a unity of action must necessarily be maintained. This can be secured only by (a) complete understanding of policy, and (b) continuous consultation between the various levels of management as well as consultation among the managers of shops operating on the same site.

In summing up the foregoing analysis, one can conclude that there are certain differences in circumstances and scope between the Co-operative society and the private company, but the differences are not as significant as they appear at first sight and they do not warrant any departure from the general methods of organisation and management applicable to private enterprise. To eliminate any false impressions of the significance of these differences the following factors should be observed:-

1. A clearer and objective definition of consumers' democratic control is needed. Control should be concerned with policy and not with details. This is equally applicable to the scope of control by the general meeting and the management committee.
2. Success in the trading field is essential for achieving the Movement's social aims. Therefore enterprise and initiative must prevail at all levels of authority and responsibility. A perfect understanding of the Movement's aims and ideals by employees and managers is essential if a diffusion of initiative and responsibility is to be brought into effect without the danger of abandoning these

aims.

3. The pressure of consumers' choice on the management of the retail society is gradually becoming free from the influence of the special circumstances of Co-operative enterprise. Adaptability to consumers' demands and preferences therefore, becomes vital and immediate. Market research and a plan for development should help a great deal towards meeting consumers' demands.
4. There is a wide variety in the circumstances under which the different branches of the retail society operate, and accordingly there should be more adaptation to local circumstances in the management of these branches. Adaptability would flow from the delegation of authority to the lower levels of management and consultation between managers of shops in each locality.

2. The Wholesale Society

The organisation of the S.C.W.S. has been described in Chapter 4. Top management is exercised by the Board of Directors which is an elected body representative of the member retail societies. Though in form the government of the wholesale resembles that of the retail societies yet it is essentially different in various aspects, and the magnitude of the S.C.W.S. presents different problems in its management and organisation. The Board of Directors of the S.C.W.S. is an integral body of the managerial hierarchy. The directors are full-time paid officials taking part in the day-to-day management matters, whereas

members of the management committee of the retail society perform their duties unpaid and in their spare time. Moreover the general meeting of the Wholesale Society is more technical in its discussion and is attended mainly by officials of the retail societies, and thus the ordinary Co-operative member can contribute very little to the discussion that takes place in the meeting.¹ The directors of the S.C.W.S. are not laymen members as in the case of the retail society but are mainly chosen from among the ranks of the retail and federal societies' officials, men well experienced in the problems and needs of retail societies.

The control of the S.C.W.S., as has already been mentioned, is exercised by the consumers but indirectly through the retail societies. It is pertinent to enquire into the effect of this indirect consumers' control upon the management and organisation of the Wholesale Society.

The S.C.W.S. like the English C.W.S., is a multi-industry organisation. The present organisation places immediately below the committee level, the so-called first line managers, of whom there are 46, each a head of his own department. The board is divided into three committees, each supervising a number of departments. The most important function of top-management in such a vast organisation is the co-ordination of activities in the various departments. With the present structure of the S.C.W.S. there is no one single point at which all channels of

1. A.M. Carr-Saunders, P.S. Florence, and R. Peers, op. cit., p.279

direction and co-ordination meet, save for the board in its corporate capacity. Each departmental manager is responsible to one of the three committees to which he reports weekly or monthly. The three committees assemble weekly to form a full meeting of the board, and the result is that leadership is spread over the whole body of the board.

Consumers' control, active as it is in the case of the S.C.W.S. places a special responsibility on the board. Board members should be well informed of the details of the business, so that enquiries and criticisms raised by the member societies can be answered promptly. The main advantage of line organisation is that the line of authority is clearly defined whereby each member of the organisation knows to whom he is responsible. This suits the requirements of democratic control where top management needs first-hand information regarding the various activities of the business. The S.C.W.S. has shown little inclination to change its organisation as the circumstances necessitate. Instead, its activities have continued to grow both in kind and complexity without any consequent re-organisation of its managerial machinery. As the size of the business grows re-organisation becomes a necessity. The present organisation of the S.C.W.S., in fact, is not different from its structure fifty or sixty years ago. It is a hierarchical organisation typical at that time for private industrial organisations. Little has been added to the structure in conformity with what has been happening in private enterprise,

namely, the fusion of functional services throughout the organisation as it grows in size and complexity. In other words the gradual development to a line and staff organisation. This development is a corollary to growth. As the organisation grows in size those who are directing its policy become widely separated from those engaged in the execution of that policy. Thus it becomes difficult for those at top management level to realise and appreciate the true nature of the problems at the front line. In other words the assessment of the situation on its merits becomes difficult.¹ The necessity therefore arises of supplying information to those on the line. Hence the necessity of specialised services within the organisation, One inherent deficiency in the present organisation of the S.C.W.S. is the assignment of executive power to the board. The three committees have under their direct supervision first-line or group managers, the latter referring to the committees, all matters of major policy as well as day-to-day management problems. The objection to committee administration lies in the very nature of the structure of the committee as a unit, its discontinuity. The committee ceases to exist each time its meeting is over. A committee is suitable for investigating, enquiring, discussing policy and checking results, but it is unsuitable for executive work. In short the committee cannot lead.² Loyalty to a committee is always vague and undefined, and this is exactly what is happening at the S.C.W.S. There, one cannot escape the feeling among officials, of the absence of the effective and

1. C. Renold, The Organisational Structure of Large Undertakings, p.6.
 2. L. Urwick, Elements of Industrial Administration, p.72.

influential leader. For these reasons it is suggested that the position of "Secretary" be widened in scope so that it covers the usual responsibilities of a General Manager for a business undertaking. The board will thereby delegate its executive function to the General Manager, who will be the chief executive of the concern, acting as the sole link between the board and the whole organisation. He will interpret policy, make plans for, its execution, and generally supervise the activities of the whole undertaking. Furthermore, and this is what the new position is expected to bring to effect, the General Manager is expected to act as the leader of the team of executives. He is, so to speak, in a position to set the tone of the organisation, and in short, he would have a major responsibility concerned with morale. Brech sums up his analysis of the tasks of the General Manager as falling into four categories:

"Two are chiefly concerned with activities - duties of the 'planning' and 'control' type; that is to say, guiding the operations of the organisation and supervising their performance. The other two are more concerned with people, and one of them entirely so. The duty of 'co-ordination' covers both people and their activities: that of 'inspiration' 'motivation' or 'morale' concerns itself chiefly with the people."¹

The Board of Directors, after the appointment of a General Manager, thus delegates one major function it now performs, that of the chief executive authority in the undertaking. It no longer becomes concerned with supervising the group or first-line managers, its main responsibilities being the drawing up of policy and the exercise of over-all control of the organisation. The General

Manager will be responsible before the board. All other executive officials in the organisation will be responsible to the General Manager. By virtue of his membership of the board, the General Manager will take part in formulating policy, and on the other hand, as mentioned above, he will hold the chief executive authority. Co-ordination can effectively be done by creating executive staff positions at various levels of the managerial hierarchy. Executive officers in this sense are of the second type according to Sargent Florence's Classification of Staff: viz. "a general executive aid with a special form of delegated authority co-ordinating at each level down the line"¹. Thus the function of co-ordination can be delegated throughout the line of authority.² In fact the group managers of the S.C.W.S. perform a co-ordinative function, i.e. the unification of all activities of the factories or departments under the group manager's supervision. A further co-ordinative link is needed before one reaches the top level of authority in the organisation. It is suggested that three new positions should be created - three divisional managers, working under the supervision of the General Manager. To them would be assigned the function of co-ordinating the activities of a number of departments, perhaps the same grouping now under the three committees. In fact these three divisional managers will replace the three committees. The committees will still exist, but as sub-divisions of the board,

1. P. Sargent Florence, op. cit., p.160.

2. Ibid., pp. 160 - 161.

and with no executive power. The committees will obtain the necessary information they need from the management, make their own investigations and report to the board.

The board will issue all its policy instructions to the General Manager and not to any of the divisional managers. The latter however, in order to fulfil their responsibilities as, liaison between policy and operation, should be allowed to attend board and/or committee meetings, take part in the discussion but with no voting power.¹ L. Urwick writes on the exact nature of the responsibilities of executives of this kind:

"The staff are not individuals who 'specialise' in any one kind of work but individuals who specialise in the function of command and especially in co-ordination".² Furthermore these divisional managers will act as liaison between the board on the one hand and the management on the other; in other words between policy and operation. They will be expected to act in their executive capacity in conformity with the policy adopted by the board and under the supervision of the General Manager. It may be suggested that the positions of divisional managers be occupied by board members.

An apparent weakness of the organisation of the S.C.W.S. in its present form is the slight contact made between the top and bottom management and also between managers of the operational units. The results are that there is inadequate understanding as appreciation of policy at lower levels. For example, the

1. The function of these executives is further explained *below*.
 2. Management of Tomorrow, p.66.

costing department which was established a few years ago, is not equally supported by all factory managers. Some give their full support and make use of the findings, whereas others are even reluctant to give facilities for the conduct of costing investigations. The practice of regular conferences and committees of executives and staff at various levels must be promoted within the S.C.W.S. This is a form of management consultation from which the organisation can benefit a great deal. Referring to this device Sargent Florence maintains that "headquarters" thought and front-line action may be harmonised, opinions and experiences pooled, (and) predilections and complexes ironed out.¹ Regular committees and conferences with these objectives can be arranged between managers, and heads of departments, and specialists, in departments which are related to each other either by trade or geographical location. There is one monthly meeting, at present, between managers of plants at Shieldhall, but this is sponsored by the Managers' Association and is not an internal committee of the S.C.W.S.

Another requirement of large-scale organisations, such as the S.C.W.S., is the provision of specialised skills in aid of those on the line of operational command. As the business grows in size two problems of organisation arise: (1) the executive, though still responsible for all subjects in his departments, can no longer handle all these knowledgeably. The factory manager, who used to buy his own material, design his own product, engage his own labour, keep his

1. P. Sargent Florence, op. cit., p.161.

own records and set standards of efficiency and costs (if indeed he was aware of the importance of costing) can no longer perform¹ all these duties. He would need the advice of the specialist.

(2) The problem arising from the whole separation of policy makers from the field of action, has already been mentioned. The top management needs to be supplied with information relevant to problems at the bottom. Hence the dual need for the specialised services.

The essential feature of the S.C.W.S. is that it is engaged in the production of a large number of products, each manufactured in a relatively small operational unit. This set-up may not justify the application of specialised functions which necessarily involve substantial costs, but there are certain services which are common to the whole organisation and which could be applied with greater advantage. The present organisation of the accountancy department is one such example. Cost accounting and budgetary control, packing and design of products and advertising, and sales promotion are other management tools that can be centrally organised. Market reasearch is one important field presently neglected by the management of the Wholesale Society. Reference has already been made to the ample opportunities available for the Movement. The S.C.W.S. bears a special responsibility in this regard, but at present research on market changes and trends in consumer demands is left to the factory and departmental managers. Only occasionally

1. Ibid., p.154.

do some of them conduct investigations on retail societies' purchases.¹ A special department fully staffed can be charged with the whole problem of market research and forecasting. Field research as well as reports from traveller salesmen will be the main sources of information. The head of the department should be made responsible to the General Manager and keep in close touch with all departmental and factory managers. On the other hand, there are services which though not common to the whole organisation can be applied with advantage to one or two groups of factories. Research work, for example, in methods of manufacture and in quality control can be conducted in some cases for related units of manufacture. There is at present a number of laboratories attached to some of the factories, e.g. tobacco, grocery and chemical sundries, but on the whole they are concerned with quality control. Raw materials and the finished products are tested, and established standards are maintained. What is proposed however, is an elaborate research project concerned with improving methods of manufacture, quality and such like. Very recently the S.C.W.S. has seen the way towards consulting management experts in the methods of improving efficiency in some of its factories. Two firms of management and engineering consultants have been engaged to investigate the methods and layout in some of the factories. Improvements in plant, lay-out and job methods have already been introduced in the Ettrick Tweed Mills, Productive Grocery Department,

1. Very recently an arrangement has been made by which results of research conducted by the English C.W.S. are communicated to the S.C.W.S. Board. But this is not sufficiently comprehensive and does not satisfy the needs of the S.C.W.S.

Footwear Factory and the Paper works. As would be expected, these new techniques, commonly known as "progressive methods" are not welcomed by the workers, nor in some cases by the managers, because of the reduction in most cases in the number of operatives needed for the manufacturing process. The new techniques have always been accompanied by bonus schemes and this has somewhat reduced the opposition against them. There is undoubtedly, an advantage in getting an outside firm to investigate defects in layout and method. In the meantime, a large organisation, such as the S.C.W.S., can certainly benefit from training its own staff in time and motion study techniques. They would be engaged in continuously improving existing methods and in establishing efficiency standards. A new central department known as 'methods and layout' might be established to investigate, plan, and advise regarding methods of improving productivity.

CHAPTER VII

The Theory and Practice of Co-operative Production (1)

In considering which kinds of productive activities should be undertaken by the various types of co-operative societies, Carr-Saunders, Florence and Peers⁽²⁾ have suggested that certain activities, namely personal and property services and the production of perishables, require to be performed near the consumer and therefore should be left to the retail or local federal societies. The production of other goods, they have maintained, should follow a logical and rational plan which would involve the large-scale production at some central plant or plants of those processes. It is pertinent at this stage to enquire into the extent to which co-operative production in Scotland has followed this pattern and whether in so doing it is being produced under the best possible conditions.

An examination of the theory and practice of production by co-operative societies must necessarily begin with an assessment of the importance of the various sources of production in the Co-operative Movement in Scotland. The following is the gross value

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1. The term 'production' in this chapter generally implies the production of goods as well as services.
 2. Op. cit. pp. 413, 414.

of production in 1951, according to the type of society involved in producing goods or services:

TABLE 24

Co-operative Production in Scotland
according to kind of Society (1951)

	£
Scottish Co-operative Wholesale Society	28,193,525
Retail Societies	9,238,139
Local Federal Societies (Consumers)	4,558,873
Producers' Societies	31,193

42,021,730

Source: Co-operative Statistics for 1951.

The bulk of production therefore comes from the Wholesale Society with the retail societies ranking next in importance. These figures, it must be remembered, represent the gross value of production and do not show precisely the value added by manufacturing processes undertaken by the type of society indicated. A better assessment could be made if the value of the net output, i.e. the gross output excluding the value of the raw materials used, were obtainable. No such figures are available for Co-operative production in Scotland. ⁽¹⁾

A comparison made between England and Wales on the one hand, and Scotland on the other, will show certain differences in the extent to which the various kinds of Co-operative societies go in producing goods. From the following table it will be noticed that

1. The Annual Reports issued by the Registrar of Friendly Societies include information about the net output of co-operative production but this information is for the United Kingdom as a whole.

all kinds of societies, except the producers' societies, produce more goods per member in Scotland than in England and Wales.

TABLE 25

Production by Co-operative Societies in 1951⁺

Type of Society	No.	<u>England and Wales</u>		No.	<u>Scotland</u>	
		Value of Production	Value per member		Value of Production	Value per member
		£	£		£	£
Wholesale Society	1	106,091,484	11.11	1	28,193,525	22.45
Retail Societies	793	50,934,417	5.33	196	9,238,139	7.36
Local Federal Societies	42	5,486,054	0.57	5	4,558,873	3.63
Producers' Societies	43	7,261,598	0.76	2	31,193	.03
		169,773,553	17.78		42,021,730	33.47

+ In 1951 Co-operative members in England and Wales were 9,546,512 and in Scotland they were 1,255,384.

Production by the Joint E. & S.C.W.S. is not included in this table.

Source: Co-operative Statistics for 1951.

Among the local federal societies there is one such society in Scotland, i.e. the U.C.B.S. which accounts for more than 90 per cent⁽¹⁾ of the production of this type of society. Other local federal societies, few as they are in Scotland, have not reached in magnitude

1. In 1951 the production of the U.C.B.S. amounted to 4,267,550.
Co-operative Statistics, 1951.

the volume of the U.C.B.S. The question therefore arises why the producers' and local federal societies have failed to flourish in Scotland as they do in England and Wales. The historical development of the Co-operative Movement in Scotland provides an answer to this question. Most of the early attempts to establish producers' societies failed within a short time of their inception. Moreover the S.C.W.S. and the retail societies had to learn from their unpleasant experience with producers' societies particularly after the failure of the Ironworks and the Cooperage Society. They knew then that a wide gap existed between the consumers' societies and those of the producers, and the idea of supporting producers' societies soon fell from favour. A further reason for the absence of producers' societies in Scotland is that here, because of the concentration of heavy industries, most of the attempts to establish productive societies were in the field of producers and not consumers goods. In England and Wales the surviving producers' societies are those engaged in manufacturing consumer goods, depending largely on the retail societies for the distribution of their products. Moreover the rise of the Co-operative Productive Federation as a defence organisation for producers' societies did not have any influence in Scotland. The close contact between the retail societies and their Wholesale Federal Organisation resulted in the retail societies' great reliance on the S.C.W.S. for their productive needs. On the other hand there is a strong local consciousness, supported by jealousy and competitiveness, which make retail societies depend on themselves in producing goods and services. The U.C.B.S. is the only exception, and this society can no longer be considered as a local federation for it has a widely spread membership among the retail societies.

(1) Production by the Retail Societies.

A statistical analysis of the retail societies' production in 1951 shows that about two fifths of the gross value of production comes from seven societies, having 22.3 per cent of the membership. In the first group, as shown in the table below, the average production per member amounted to £13.04, whereas in the second it was £7.16. The average for the whole of Scotland in the same year was £7.36 per member.

TABLE 26

<u>Retail Societies with Production above £100,000</u> <u>in 1951</u>		
<u>Name of society</u>	<u>Production</u> £	<u>Membership</u>
1. St. Cuthbert's	1,803,287	91,682
2. N. Aberdeen	515,719	68,752
3. Dunfermline	346,883	22,555
4. Falkirk	273,500	20,796
5. East Lothian	257,065	14,646
6. Leith	237,129	30,547
7. Kilmarnock	205,141	29,048
	3,638,724	279,026
Proportion to total for Scotland	39.4%	22.2%
Production per member	£13.04	
8. Greenock Central	190,581	25,392
9. Dalziel	178,349	21,115
10. Dumfries Maxwelltown	175,182	17,470
11. Coatbridge	172,066	17,317
12. Paisley Mfg.	168,534	32,747
13. Lochgelly	150,049	9,331
14. Kirkcaldy	145,802	15,688
15. Musselburgh Fisherow	143,398	12,444
16. Dysart	126,430	7,879
17. Perth	121,230	11,782
18. Wishaw	120,322	10,850
19. West Calder	108,935	11,999
20. Glasgow South	106,187	76,325
21. Alloa	105,305	10,832
	2,012,370	281,171
Proportion to total for Scotland	21.8%	22.4%
Production per member	£7.16	

Source: Co-operative Statistics for 1951.

One can therefore say that the bulk of production by the retail societies comes from a limited number of these societies, mainly among the large and medium-sized ones. This is understandable, for the production of any commodity or service cannot be economical below a certain level, and the medium or large-size society should have a ready market to enable it to produce certain goods economically. In fact some of the large retail societies might be in a better position than the Wholesale in the production of certain goods, and that is where the product should be produced both in a place near the consuming market and in a fairly large quantity, so that the economics of large-scale production can take effect. A case in point is St. Cuthbert's laundry which combines a large turnover with a readily accessible market. The S.C.W.S. laundries on the other hand have to serve a number of societies spread over a wide area, with the result that transport expenses become excessive.

But the size of the retail society is not the only determinant of production. The Glasgow South Society, for example, which is the second largest society in Scotland and had a membership of 76,325, produced in 1951 goods to the value of £106,187. Many societies with a membership below 15,000 had production exceeding the Glasgow South figure. A number of other reasons besides size have been mentioned by Carr-Saunders, Florence and Peers, namely, (1) dissatisfaction with the Wholesale Society's production, (2) a desire for an integrated production, (3) making use of local materials, and, (4) psychological factors and the inertia of tradition.¹ Moreover, because of the concentration of many of

1. Op.cit., p. 428.

the S.C.W.S. factories in Glasgow and its neighbourhood, it is noticeable that societies in the East of Scotland depend less on the S.C.W.S. and produce more of their own goods, than societies in the West of Scotland. For example, most of the large societies in the East of Scotland have their own sausage and meat preparing plants, and the S.C.W.S., therefore, does not see the need for establishing its own sausage factories in that part of the country. There is a historical explanation for this phenomenon. The S.C.W.S. in its early days was confined to the West of Scotland and factories were mainly established to supply the retail societies in the Glasgow area. Societies in the East of Scotland felt the urge to establish their own productive plants particularly in the field of perishables where the producing plant must necessarily be near the consuming market. Table 27 shows the value of production per member by the retail societies in the eleven Scottish districts in 1951. It will be noticed that the districts with the highest production are the East of Scotland, Fife and Kinross, and Falkirk, with an average production per member of £14.64, £11.83, and £10.97, respectively. The districts with a low rate of production are the Glasgow and district, the North Eastern, and Renfrewshire, which had an average of £2.20, £4.52, and £5.03 respectively. The low figure of the North Eastern district can be attributed to the fact that S.C.W.S. retail branches depend entirely on S.C.W.S. production and, moreover, because of their location and size, they have little chance to produce on their own.

Production by the Retail Societies
in the various districts in 1951.

<u>D i s t r i c t</u>	<u>Membership</u>	<u>Value of Production</u> £	<u>Production per member</u> £
1. Ayrshire	86,103	620,097	7.20
2. Border Counties	23,927	209,205	8.74
3. Central	119,182	873,279	7.33
4. East of Scotland	201,015	2,943,305	14.64
5. Falkirk	56,406	618,877	10.97
6. Fife and Kinross	110,874	1,311,268	11.83
7. Glasgow and District	272,417	600,744	2.20
8. North Eastern	206,527	934,250	4.52
9. Renfrewshire	106,514	536,338	5.03
10. Southern	27,743	227,181	8.19
11. Stirling and Clackmannan	44,676	363,595	8.14
Total for Scotland	1,255,384	9,238,139	7.36

Source: Co-operative Statistics for 1951.

Production by the retail societies in Scotland comprises a variety of commodities and services such as the following:-

Baking	Shoe repairing
Tailoring	Hairdressing
Confectionery	Catering
Dairy farming	Painting and Decorating
Market gardens	Hire of cars
Ice cream	Optical services
Upholstery	Chiropody
Meat preparation	Building
Shoemaking	Plumbing
Funeral furnishing	Watch and Clock Repairing.

The most important productive activities are baking, undertaken by 175 societies, confectionery, by 107 societies, dairying, by 62 societies, and tailoring, by 48 societies. Among the important

services are shoe-repairing, performed by 123 societies, painting and decorating, by 42 societies, and funeral furnishing, by 20 societies.¹ Baking is perhaps the oldest productive activity undertaken by co-operative societies. Although many societies are now affiliated to the U.C.B.S. and depend on its bakeries for their bread supplies, the production of cakes and smalls however is found more economical when performed locally, since the cost of transporting the final product in this case is substantial. Shoe-repairing is one of the widely-spread services among the retail societies. This industry requires little capital equipment and can be performed economically on a fairly small scale. According to the 1935 Census of Production 59 per cent of the persons employed in this industry worked in small plants employing from 11 to 24 persons.² This industry had a coefficient of localisation as low as 00.08,³ thus indicating the spread of shoe-repairing plants all over the country. Only 42 societies offer painting and decorating services. One reason for the limited success of co-operative societies in household decoration may be that this is a service on personal property, and interior decoration is a matter of personal taste which varies from one person to another. The small business run by its owner can satisfy personal tastes better than the co-operative society or, for that matter, the large decorating business, where less attention is likely to be paid to variations in taste.

1. A count has been made of the Scottish societies producing these goods and services as they appear in the Co-operative Directory.

2. P.S., Florence, Investment, Location, and the size of Plant, p.168.

3. *ibid.* Table IVB (pocket).

A comparison between retail societies' production in Scotland and that in England and Wales shows that, on the whole, societies in Scotland produce more and have a greater variety. As stated above the average production per member in 1951 was £7.36 in Scotland and £5.33 in England and Wales. The following table shows the proportion of societies which undertake the production of certain commodities or services:-

TABLE 28

Production of Certain Goods and Services by Retail Societies

	<u>Scotland</u>		<u>England and Wales</u> ¹	
	No. of societies	Proportion of all retail societies	Proportion of all retail societies	
		%	%	
Baking	175	96.1	48	
Shoe Repairing	123	67.5	36	
Meat preparation	112	61.5	43	
Confectionery	107	58.8	40	
Dairying	62	34.1	18	
Painting and decorating	42	23.1	14	
Funeral furnishing	20	10.9	16	

Source: Co-operative Directory.

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1. A count has been taken, of the numbers of societies engaged in producing the particular commodity or service, among the first 100 societies in England and Wales as they appear in the Co-operative Directory in which societies are arranged alphabetically.

In Chapter 4 it was found that Scottish retail societies depend more on their wholesale federation than societies in England and Wales. This greater dependability on the part of the Scottish societies may be attributed first, to the fact that the S.C.W.S. serves a much smaller area than the C.W.S., secondly, to the relatively smaller size of the average retail society in Scotland than in England and Wales and, thirdly, to the possibility of a greater loyalty to co-operative institutions in Scotland than in other parts of Great Britain.

There is reason to believe that the retail societies in Scotland offer a fuller service to their members in the sense that more production and services are done locally. The Co-operative Movement in Scotland obviously has gone further in supplying more of the consumers' needs and in producing and servicing more commodities. This is perhaps one important reason why the Scottish Co-operative member buys more from his co-operative society, with the consequence that the latter is able to yield for him a higher surplus.

The service of laundering in Scotland is not a retail society function but is performed by the Wholesale Society in its chain of fourteen laundries spread all over the country. Laundering in England and Wales on the other hand, is mainly a function of the local federal societies. Some of the large societies in Scotland, like St. Cuthbert's, have their own laundries, whereas S.C.W.S. laundries serve most of the retail societies, large and small, round their own areas. Like the S.C.W.S. creameries, its laundries are outstanding examples of the Wholesale Society's contribution towards supplementing the services offered by the retail societies

even in small towns and villages. Funeral furnishing is another example of the direct service given to the consumer by the Wholesale Society.

(2) Production by the Wholesale Society.

An assessment of efficiency in co-operative production is bound to be based on measures generally applied to and accepted by capitalist industry, since the latter is predominant in the competitive market in which co-operative enterprise in Britain operates. A comparison of the cost of production between co-operative and non-co-operative plants is impossible, since no such information is readily available, and even if figures were obtainable, consistency in accounting and costing methods cannot be guaranteed. A comparison of production costs can only be made between factories that belong to the same firm, since the method of cost allocation in this case is identical, and the results may safely be compared.

(a) Mechanisation.

Large-scale production can only be effective in reducing the cost of manufacture if adequate capital equipment is used and used intensively. The degree of mechanisation which is possible in different industries and in different branches of an industry varies widely and depends upon the nature of the process of manufacture, the material used and the product supplied. Carr-Saunders, Florence and Peers, in order to analyse mechanisation expenses in the English C.W.S. factories added the items (1) annual depreciation, (2) interest, (3) repairs and renewals, (4) power, water, heat and lighting, and related the total, to the conversion cost, i.e. the total cost minus the cost of raw materials. A similar treatment

TABLE 29.

2826

Mechanisation Expenses

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Percentage of mechanisation expenses to conversion cost
Average for 1950, 1951, and 1952.

Factory	Mechanisation/Conversion %	Factory	Mechanisation/Conversion %
Shirt	10.96	Furniture	
Tailoring		Shield.	13.40
Paterson.	15.56	Cal.	12.38
Tailoring		Jane.	9.63
Darnley	9.63		
Artis. & Juv.	12.59		11.80
Light Clothing	21.63	Leather	11.75
Children's "	12.5	Sheet Metal	16.60
Blanket Mill	27.48	Linoleum	28.40
Linen	11.51	Printing	11.11
Ettrick Tweed	24.53	Paper Works	38.98
Tobacco	28.95	Confectionery	17.01
Jute	29.98		
Footwear	12.82	Laundries	
Hosiery			
Shield.	18.76	Auchin.	17.86
Kirk.	14.59	Barrhead	17.77
Leith	24.12	Bon.	24.02
Shotts	11.33	Bonne.	20.30
	17.20	Carnoustie	24.54
		Drem	21.92
Preserves		Dundee	20.04
Shield.	15.23	Dunferm.	22.94
Leith	19.26	Gala.	25.09
	17.23	Grangem.	18.46
Soap	22.41	Inverness	27.67
Margarine	29.79	Largs	21.98
Flour Mills		Lochgelly	23.14
Chan.	21.76	Maryhill	24.66
Junc.	34.19	Wellshot	20.07
Regent	22.09		
Royal	31.15		22.03
	27.27		

Source: calculated from S.C.W.S. detailed statements of accounts for 1950, 1951, and 1952.

1. Mechanisation Expenses imply the total spent on depreciation, interest, repairs, power and light, water, and motor licences.
- Conversion Cost implies the total cost minus the cost of raw material.

There is a wide variety in the degree of mechanisation among the various S.C.W.S. plants and, as explained above, this is partly due to differences in the nature of the industry in which the plant is engaged. That however, is not the only reason, for it may be observed that factories which manufacture similar products vary in the extent to which they are mechanised. Hosiery factories, for example, show a range between 11.33 per cent in Shotts and 24.12 per cent in Leith. The reason here may be the difference in size: large size allows of greater mechanisation.¹ But this factor of size cannot explain the lower percentage of mechanisation expenses to conversion cost in the Shieldhall Hosiery factory which produced goods at a value $1\frac{1}{2}$ times as much as the factory in Leith and in which mechanisation expenses amounted to 18.76 per cent of conversion cost. This difference may be attributed to the fact that machinery in some factories have recently been modernised, whereas in others it is becoming obsolescent with the result that in the former mechanisation expenses became higher and vice versa. All fifteen laundries except three, have been established since the end of the war with the result that machinery is up-to-date and mechanisation ratios fall within a narrow range.²

A direct comparison between these figures and the results shown in Consumers' Co-operation in Great Britain gives the impression that mechanisation in the S.C.W.S. is less extensive than in the

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1. In 1952 the factory in Leith sold goods to the value of £68,812 and the factory in Shotts sold goods to the value of £22,790.
 2. Twelve laundries had mechanisation expenses ranging from 20 to 25 per cent of conversion costs, two had 17.8 per cent, and one 27.8 per cent of the conversion cost spent on mechanisation.

English C.W.S. Footwear, soap, flour mills and margarine had a percentage of mechanisation to conversion expenses in the S.C.W.S. of 12.8, 22.4, 27.2, and 27.2 respectively. The corresponding figures for the English C.W.S. were 19, 36.7, 48.8, and 33.3 respectively.¹ This difference, however, should not be taken as conclusive evidence of the degree of mechanisation in the two organisations, because there is a gap of nearly twenty years between the two assessments, and during this time standards of wages and the cost of machinery and maintenance have changed considerably though not necessarily by the same proportion. It would be pertinent therefore to make a comparison of mechanisation under post-war conditions in some of the C.W.S. factories.

Table 30 shows the percentage of mechanisation expenses to conversion cost in six English C.W.S. factories of comparable size and production to their equivalents in Scotland. The last column in the table gives comparative figures from the S.C.W.S. It will be noticed that in five cases C.W.S. factories have a higher degree of mechanisation than S.C.W.S. factories. The only exception is in the production of tobacco where in the Scottish factory 28.9 per cent of the conversion cost is spent on mechanisation whilst in the English factory the percentage is 27.6. The difference is not substantial but it shows that the two factories are comparable in their use of mechanised equipment. On the whole, the Scottish C.W.S. has lagged behind the English Wholesale in employing specialised machinery. The possible explanation for this difference is the

1. A.M. Carr-Saunders, P.S. Florence, and R. Peers, op.cit., p. 417

extensive variety of S.C.W.S. productions in single plants. The English C.W.S. has a wider market and therefore is able to make use of the advantages of large scale production by the intensive use of machinery. The relatively narrower market served by the S.C.W.S. however does not justify the production of every sort of commodity demanded by co-operative societies, since this handicaps co-operative goods which are sold in a highly competitive market and have to compete with other goods which may be produced under economically better conditions.

TABLE 30.

Mechanisation Expenses.

Percentage of mechanisation expenses to conversion cost in six C.W.S. factories and comparative figures from the S.C.W.S.

Factory	(1)	
	Mechanisation/Conversion %	S.C.W.S. Mechanisation/ Conversion %
Leicester Footwear	15.3	12.82
Manchester Flour	42.6	21.79
Tobacco	27.6	28.95
Reading Printing	22.6	11.11
Dunston Soap	35.4	22.41
Birmingham Cabinet	21.1 ⁽²⁾	13.41

(1) Average of 1950 and 1951.

(2) Birmingham Cabinet factory underwent great development at this period, and the mechanisation ratios for three successive years are:

1950	17.0%
1951	25.1%
1952	30.0%

Source: Column 2 information supplied by the C.W.S., Column 3 table 29.

(b) The size of plant

Closely related to mechanisation and efficiency in production, is the question of the size of the producing plant. An examination of the size of S.C.W.S. plants is important because it is a further indication whether the Wholesale Society in entering the field of manufacture is actually considering the factors appertaining to an economic production or whether it is influenced merely by enthusiasm and pride in producing for its own needs.

The most suitable criterion for measuring the size of plant is, in the absence of other criteria, the number of employees at work in a factory, and statistics of men employed are generally taken as to give a rough idea of size of output per plant.¹ Professor Sargent Florence, elsewhere, has shown that no single average number of employees, median, mode or arithmetical mean can be used as a measure of the typical or prevailing size of plant in an industry. He adopted a method by which the typical size of plant in any industry, taken as the size which provides a certain bulk of the output of that industry, is indicated by the consecutive sizes in which the bulk, say 50 per cent, of wage-earners are employed. In the following table most of the S.C.W.S. factories are shown with the number employed in each in June, 1954, together with the prevailing size of plant in that particular industry as presented by Florence in his book, 'Investment, Location and Size of Plant.'

1. P.S. Florence, Investment, Location and Size of Plant. pp. II-13

Size of Plant in S.C.W.S. and
prevailing size in the industry.

<u>S.C.W.S. Factories</u>		<u>No. of employees (Week ended)</u>	<u>Prevailing size of plant Grade</u>	<u>Relative positions of S.C.W.S. factory to industry**</u>
Linen		74	(4)	-
Hosiery	Shieldhall	44)		=
	Kirkintilloch	45)		=
	Leith	54)	all	=
	Shotts	37)		=
Jute		678	3	+
Furniture	Shieldhall	233)		+
	Beith	110)	1	=
	Janefield	93)		=
Footwear		650	5	=
Printing		542	all	=
Paper Making		162	3	=
Preserve	Shieldhall	182)		=
	Leith	60)	all	=
Tobacco		248	5	-
Flour Mills	Edinburgh	156)		=
	Leith	111)	(2)	=
	Glasgow	168)		=
Soap		126	4	-
Brendoch Creamery (Margarine)		107	3	=
Fish Curing	Aberdeen	81		=
	Peterhead	13	1	=
Linoleum		211	5	-

+Grade 1 for small plant with less than 100 employees.

" 2 for smallish plant - 25 - 199 employees.

" 3 for medium plant - 100 - 499 "

" 4 for largish plant - 500 or more "

" 5 large plant - 1,000 " " "

" (2) bias towards smaller plant - under 200 employees.

" (4) " " larger " - over 200 "

** + implies S.C.W.S. factory larger than prevailing size in industry,
 = " " " smaller and
 = " " " within the range of the prevailing size
 in the industry.

Sources: Col.2. information supplied by S.C.W.S., Col.3., P.S. Florence,
 Investment, Location and Size of Plant, pp.168-175.

It appears from these figures that the majority of S.C.W.S. factories fall within the same range of size as that prevailing in the industry. In a number of cases, however, S.C.W.S. factories are smaller than the normal size of plant in the industry. These include the linen works, the tobacco factory, the soap factory and the linoleum factory. In all these cases the industry concerned has a large size or a tendency towards the larger-size plant. In fact, almost all of the S.C.W.S. factories are either small or medium sized, and this tendency can be attributed to the relatively limited market which the S.C.W.S. supplies. We have seen in Chapter 5 that 91 per cent of the trade is done with retail societies in Scotland. Moreover the support given by these societies to co-operative production is limited by consumers demand for this production and the wide choice demanded of other manufacturers' goods. The C.W.S. south of the borders has similar plants supplying the English and Welsh societies, and each of the two Wholesales, therefore, is confined to a limited market. The only exceptions to this, as far as the S.C.W.S. is concerned, are its linoleum factory and coffee essence plant. More than 50 per cent of the linoleum production and 78 per cent of the coffee essence produced in 1947 were sold to the C.W.S.¹ These are two important examples of the possible co-operation between the two wholesales for fully realising the economies of large-scale production. If the S.C.W.S. intends to exceed the range of industries with small or medium-size plants it must seek other markets in addition to its

1. Figures from a private report of the S.C.W.S.

own Scottish Co-operative Market. Two S.C.W.S. factories are larger than the prevailing size in the industry, namely the jute factory and the Shieldhall furniture factory. The larger size of the jute factory is probably due to the combination by the S.C.W.S. of both the spinning and the weaving sections in one unit.¹ The furniture factory at Shieldhall is engaged in producing a wide variety of furniture including bedroom suites and upholstery and this explains its relatively large size.

(c) The choice of location

A special Committee reporting on the local development of industry in Scotland found that manufacturing industry is heavily concentrated in six main clusters, with Glasgow, Edinburgh, Dundee, Falkirk, Kilmarnock and Aberdeen at the centre of each.² An examination of the geographical distribution of the productive plants of the S.C.W.S. shows that a similar pattern is maintained by Co-operative industry: more than 90 per cent of co-operative production (measured by the number of workers employed), is concentrated in the same six areas. Professor Sargent Florence has suggested a formula to measure the degree of concentration of a particular industry compared with the distribution of industry in general; thus a coefficient of location is worked out for the various industries to show their relative geographical distribution. On a similar basis a coefficient of co-operative

1. H.A. Silverman, *Studies in Industrial Organisation*, p. 241.

2. The Scottish Council (Development and Industry), *Report on Local Development in Scotland*, p. 10. (Edinburgh, 1952).

localisation can here be worked out by the following formula:

when the number of workers employed in S.C.W.S. productive plants is divided region by region, as percentages of the total in all regions, the coefficient is the sum (divided by 100) of the plus deviations of the regional percentages of all workers in all manufacturing industry. Thus a complete coincidence of the distribution of co-operative industry with the distribution of manufacturing industry in general would give a coefficient of 0 and an extreme differentiation would give a figure approaching 1. Table 32 below shows the distribution of co-operative industry compared with the geographical distribution of industry in general in the thirteen regions devised by the Committee on Local Development in Scotland. The coefficient of co-operative localisation worked out according to the above formula is 0.157, which indicates a great similarity between the location of S.C.W.S. factories and that of manufacturing industry in general.

11. South West

12. West and Islands

Rest of Scotland

Sum: 100.0

Coefficient of Co-operative Localisation: 0.157

1. No. of employees in S.C.W.S. factories as at 24th June, 1974, and includes all production, repair, maintenance and construction for which separate figures were not obtainable.

Sources: Cols. 2 and 3 calculated from information supplied by S.C.W.S. Col. 4 from Report on Local Development in Scotland, 1974, Scottish Council (Development and Industry).

Localisation of S.C.W.S. Factories in Scotland.

28335

<u>A r e a</u>	<u>No. of S.C.W.S.¹ employees.</u>	<u>%</u>	<u>% Insured persons in manufacturing industries in July, 1948.</u>	<u>Co-operative localisation</u>
1. Glasgow (including Lanarkshire, Renfrewshire, and W. Dunbarton).	4,464	65.7	55.1	+ 10.6
2. Edinburgh and Lothians	463	6.8	10.5	- 3.7
3. Kilmarnock and North Ayrshire	293	4.3	5.8	- 1.5
4. Dundee	678	10.0	5.7	+ 4.3
5. Falkirk and Stirling	141	2.1	5.7	- 3.6
6. Aberdeen	126	1.9	3.6	- 1.7
Major Industrial Areas	6,165	90.8	86.4	
7. North and N. Eastern (excl. Aberdeen)	22	.3	2.7	- 2.4
8. East (excl. Dundee)	30	.4	2.2	- 1.8
9. Fife	294	4.3	4.3	.0
10. Borders	167	2.5	2.1	+ 0.4
11. South West	115	1.7	1.3	+ 0.4
12. West and Islands	-	.0	1.0	- 1.0
Rest of Scotland	628	9.2	13.6	
S c o t l a n d	6,793	100.0	100.0	+ 15.7 - 15.7

Coefficient of Co-operative Localisation = 0.157

1. No. of employees in S.C.W.S. factories represents the numbers as at 24th June, 1954, and includes all production departments except Laundries and Creameries for which separate figures were not obtainable.

Sources: Cols. 2 and 3 calculated from information supplied by S.C.W.S. Col. 4 from Report on Local Development in Scotland, Scottish Council (Development and Industry).

The S.C.W.S. is sometimes reproached by some of the retail societies for the concentration of industrial activity in the west of Scotland particularly in the Glasgow area. The above examination shows that the Glasgow region (including Lanarkshire, Renfrewshire, and West Dunbarton) includes two-thirds of all productive plants. This area actually includes 55.1 per cent of all manufacturing industry in Scotland. The co-operative concentration round Glasgow can be attributed to three main factors: historical development, general external economies and internal economies. The S.C.W.S. was originally started in Glasgow by the societies in the west of Scotland, its support came from those societies, and factories established in Glasgow had the dual advantage of being both near the buyers and under the close supervision from the administrative offices where, as has been said, 'an eye could be kept on them'.¹ The so-called general external economies that attract all types of industrial plants to this area and, for that matter, to any industrial region such as Greater London, have themselves influenced the S.C.W.S. to locate its factories in the Glasgow region so that full benefits could be derived from the facilities and skills accumulated since the beginning of the Industrial Revolution. A factory located in this area, reports the Committee on Local Development "can make use of existing public utilities and services of all kinds, and can form and maintain business contacts much more easily and over a wide range of industry than elsewhere."² By the third factor, internal economies, is meant

1. A.M. Carr-Saunders, P.S. Florence and R. Peers, op.cit, quoting P. Redfern, p.422.

2. These economies are distinct from other specific external economies which arise when a particular industry is heavily concentrated in one region. See p.290 below.

the savings that when a number of plants belonging to the same organisation, and not necessarily producing the same product, are located within a limited area or on one site. This results in certain savings to the advantage of the larger organisations. Thus we find that the thirteen factories located in Shieldhall trading estate make use of certain common services such as heating and lighting, building, machinery maintenance, and canteen facilities. A common transport service is also available, where arrangements are made for composite loads to be assembled from different factories for dispatch direct to the retail societies. Similar facilities are available for the group of distributive and productive establishments located near the head office at Morrison Street in Glasgow.

If these factors justify the heavy concentration of industrial plants in the Glasgow area why then has the S.C.W.S. chosen some other centres for certain of its manufacturing projects? An examination of the nature of the product, its market, or the source of raw materials of any of the plants outside the Glasgow area reveals certain other factors, economic or otherwise, that necessitated a diversification from Glasgow. Certain industries are highly localised in one single area which, during a long period, have attracted a large proportion of the industry. A case in point is the jute industry, which is heavily concentrated in Dundee, and which has a high coefficient of localisation of .91.¹ 98.5 per cent of the total employed in Great Britain in this industry are in Scotland, 85 per cent of which are said to be

1. P.S. Florence, Investment, Location and Size of Plant, Table IVB (Pocket).

in Dundee.¹ The S.C.W.S., by placing their factory in Dundee, could benefit by certain specific external economies arising from the existence of a large number of factories producing the same product, using the same material, and employing the same kind of labour. It is sometimes argued that this factor is losing its importance, particularly as a result of specialisation, when, due to changes in the technique of production, the raw material changes or only semi-skilled labour becomes necessary. But so far as the Jute industry is concerned, Dundee has not lost its traditional importance despite the changes in technique in the spinning section of the industry. The weaving process, however, has remained unchanged since the last century, and it is this factor, together with the concentration of dealers, importers of the raw material, and exporters of the final product, that maintained the heavy localisation of the industry. Dundee being an important whaling port and its specialisation in the manufacturing of the coarsest types of linen, particularly the coarse baggings of hemp and tow, used for the packing of cotton wool in which jute was first employed, explain the early beginning of the jute industry in this area.² Another example of the attraction of the S.C.W.S. to the location of the industry is its tweed mill at ~~Selkirk~~ in the Borders district, where nearly half of the Scottish tweed industry is concentrated.³ This concentration is

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1. Census of Production, 1950, Jute Trade, Vol. p.6/5 (H.M.S.O.195). Studies in Industrial Organisation, edited by M.A. Silverman, p.240.
 2. H.A. Silverman, op.cit. P.240.
 3. It is estimated that 49 per cent of the number of looms concentrated in 39 per cent of the number of firms manufacturing tweed in Scotland are in the Borders district. (H.A. Silverman, op.cit. p.104.)

explained by the abundant supply of labour attached by tradition and training to this industry and the plentiful supply of soft water which is important for scouring the wool and finishing the cloth.¹ The furniture industry is concentrated in the West, with its centre in Beith, where two of the S.C.W.S. furniture factories are located. A third and larger factory is at Shieldhall. Other examples of the influence of the industry's chosen centres are the S.C.W.S. linen and linoleum factories at Falkland and its fish curing station in Aberdeen.

Another different pattern of factors which influence the S.C.W.S. in its choice of location, is noticeable in the case of hosiery factories. Two important developments in the marketing of hosiery have taken, and still are taking, place; the direct distribution from manufacturer to retailer and the rise of the branding system. It is estimated that half the trade is distributed directly to the retailer and that only one fifth is not branded.² Hence the dispersal of factories in different parts of the country with a medium coefficient of localisation of .48. The S.C.W.S. in establishing its hosiery factories in Shieldhall, Leith, Kilmarnock, and Shotts, was undoubtedly under the influence of competition from private trade manufacturers who were within easy reach of the retail societies and were pressing the selling of their branded goods.

1. H.A. Silverman, op. cit. pp.111 and 112.

2. H.A. Silverman, op. cit. p.21.

The cost of transport, either of the raw material or the final product, may be so high that a greater economy can be made if goods are produced at a point nearer the source of supply of the raw material or closer to the consuming market. The latter case is clearly illustrated in the S.C.W.S. productive units of soft drink, milk bottling and laundries.¹ Obviously these industries are spread evenly according to the dispersal of the consuming population. An example of the proximity to the source of the raw material is the location of the Society's flour mills in Edinburgh, Leith, and Glasgow, which, by being placed in the ports, are able to receive direct shippings of flour, thus economising to the fullest extent in transport costs of their supplies.² Other considerations which affect the location of flour mills, it has been said, are adequate supplies of pure water and power, which is readily found in ports. Thus, with the growing importance of imported wheat mainly from Canada and Australia, this industry has tended to establish itself in Britain's main ports. An oatmeal mill is sited in Aberdeen near one of the important oatmeal-growing districts in Scotland: the aim again being to minimise transport expenses.³

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1. The S.C.W.S. has seven soft drink factories, 14 creameries, and thirteen laundries spread in various parts of the country. (See appendix II p. 366)
 2. The cost of transporting wheat is too high in respect to its bulk compared with its value, and it is advantageous to economise in the cost of transporting the raw material rather than the finished product.
 3. The survival of the country mill of comparatively small size is noticeable where home-grown wheat or oats are used but their number has dwindled considerably in the last few decades. (M.P. Fogarty, o. cit., p. 34)

Grangemouth, where the S.C.W.S. soap factory is located, lies midway between Edinburgh and Glasgow, and the Grangemouth docks are available for the handling of supplies by sea; thus the location is economical for the transport of the raw material as well as the finished product. In the early days when the factory was established, its location on the Forth and Clyde canal allowed cheap transport but with the decline of water transport and the development of road transport the canal has lost its former importance. The other factors, however, have real value and it is these advantages and the ample supplies of water that made possible the later expansion of the oil and chemical industries in the area.¹

The foregoing analysis shows that some sort of plan has been in operation directing the policy of the S.C.W.S. in establishing its industrial plants. Whether that plan was consciously or unconsciously devised is a matter of speculation, and one can only say that it is the business sense of its leading men which directed its major decisions. At any rate S.C.W.S. factories in most cases were purchased from old firms, and it was natural that these factories should be located at the site chosen by the industry concerned. In certain cases the S.C.W.S. finds itself under the influence of demands from the retail societies to spread its productive plants to different parts of the country. Retail societies in depressed areas claim that the Wholesale Society should set up factories there so that regard may be had to the

1. Grangemouth. A study of its Industry and Commerce, Report by students in the Department of Commerce, Edinburgh University, 1952-53. pp.4 and 25.

economic welfare of co-operative members with a consequent development in the prosperity of these societies. This point, for example, was particularly raised by societies in the Lanarkshire mining area, where mines were being worked out, and those societies felt that their trade would be adversely affected unless the members thrown out of work were absorbed by new industries established in the area. Some retail societies take into consideration the number employed by the S.C.W.S. in their area, and in one case it was mentioned that since there was no work available for the inhabitants in the area, and as they had to travel long distances to their work each day, the S.C.W.S. should establish a pottery factory for which the raw material was available in the area. On the whole it is not likely that the S.C.W.S. at any time was exclusively influenced by the demands of its member retail societies to establish factories in their localities, but the consideration of economic factors in the justification of its choice of location was always a major determinant.

(d) Limitations against expansion

In supplying the retail societies with their requirements the S.C.W.S. depends in certain cases entirely on its own production, and in other cases it supplies other manufacturers' goods beside its own. The S.C.W.S., for example, has succeeded in canalising all the demand for flour, preserves, coffee essence, and other similar commodities into its own production. In other cases, such as footwear, canned foods, women's wear and men's outfits, the S.C.W.S. depends to a varying degree on other makers'

goods. Furthermore there are certain lines of goods which the S.C.W.S. has found it practically impossible to manufacture. It is with the essence and nature of the problems which hinder the expansion of S.C.W.S. productive activities that we are concerned at this stage.

In 1948 a special committee of the S.C.W.S. Board was charged with the responsibility of investigating the possible developments of S.C.W.S. production, and the information and data presented in this section are mainly derived from a report which was the outcome of this Committee's enquiry. The limitations on S.C.W.S. expansion can be mainly classified under the following:-

(1) A limited market:

For the economic production of certain goods in which the Wholesale Society deals, a volume of output is required which far exceeds the distributive capacity of the S.C.W.S.¹ For example the annual purchases of the Wholesale Society in rubber boots amounts to 62,000 pairs, whereas the economic size for their production at competitive prices is estimated at 1,000,000 pairs annually. Similarly the economic output of a factory producing watches and clocks is said to be far in excess of the absorption capacity of the Scottish Co-operative Market, or even the Scottish and English Co-operative markets together. A third example of the limitation of this factor is found in the characteristics of the process of envelope manufacture. The S.C.W.S. Stationery Departments estimate their annual turnover of envelopes at 10 million

1. See p. 301 below.

within the range of four or five sizes. The production of envelopes requires a separate machine for each size, with a production rate of between 300 and 500 thousand envelopes a week, giving an annual output of each size of between 15 and 25 million. With the present scale of turnover these machines, if acquired by the S.C.W.S., would be idle except for a few weeks throughout the year.

(ii) A limited supply of raw materials or labour

A strong manufacturers' ring is in operation in the cycle industry, and this prohibits the payment of dividend to purchasers of their machines. The S.C.W.S., therefore, depends for its supplies of cycles exclusively upon the English C.W.S. cycle factory in Birmingham. Supplies have been very short in the post-war period, mainly because of the shortage of raw materials and the export quotas imposed on manufacturers. This industry has developed a network of services round Birmingham, where many manufacturers of accessories and components are concentrated. The S.C.W.S. considered the possibility of establishing its own cycle factory in Scotland, but the main obstacle is that it is impossible to expand the cycle industry away from that area.

(iii) A monopolistic tendency

The S.C.W.S. handles about 30 per cent of the sugar, syrup and treacle consumed for food in Scotland. The Committee referred to above, had under consideration the possibility of the S.C.W.S. purchasing a controlling interest in any refining factory in Scotland, but it found that such a step would be difficult to take owing to the possible opposition to such a move from a large powerful concern which dominates this industry. An approach

to the authorities to establish a new factory would be objected to since the existing refining capacity is adequate for the country's needs.

(iv) By-products of industries not closely related to consumer goods

Certain commodities in which the S.C.W.S. deals are by-products of industries which are impossible for the consumers' movement to tackle. For example, salt is a by-product of some processes used to extract certain alkalis from rock salt lime. Such processes are undertaken by large-scale chemical manufacturers dealing in other products. Another example is the production of plimsoles. The usual practice is that plimsoles are produced in factories engaged in the production of rubber goods. Yeast and malt flour provide a third example in this category. These two commodities are associated with the brewing industries, and the view is held that they could not be economically produced when disassociated from the making of beer and whisky.

(v) Fashion goods

Because of the wide variety of styles and fashions, the S.C.W.S. cannot depend entirely on its own production of boots and shoes in supplying the retail societies' requirements. It will be noticed from the following figures that of the various lines of footwear, a higher proportion is supplied from co-operative production when the particular line is not so much subject to fashion changes. For example, according to the table below, of the boys' fine boots and shoes sold by the S.C.W.S. in 1947, 62 per cent were its own production, whereas only 27 per cent of women's fine shoes were S.C.W.S. produced.

TABLE 33

Proportion of S.C.W.S. own
production to total S.C.W.S.
sales in 1947.

	%
Boys' fine boots and shoes	62
Heavy boots and shoes	51
Men's fine shoes	49
Girls' fine shoes	32
Women's fine shoes	27

Moreover the S.C.W.S. does not undertake the manufacture of slippers in spite of the large quantity it sells. Between 30 to 40 different types of slippers are bought from 34 manufacturers situated in seven districts, where the specialist labour for each type of manufacture is concentrated. A further example of the S.C.W.S. limitations in producing specialty goods is the case of yarns and fabrics used in the S.C.W.S. textile factories. Continuous changes in colour and design make production uneconomical unless sufficient quantities are produced of each design from each colour. It is therefore to the advantage of the S.C.W.S. to depend on other manufacturers so that sufficient variety can be maintained in its finished product.

(3) Planning for Co-operative Production

From the analysis presented in this chapter it becomes clear that the Co-operative Movement in Scotland, partly for historical reasons and partly because of a somewhat closer co-operation between the retail societies and the Wholesale, has developed a closely-knit set-up of co-operative production. The absence of local federal and producers' societies has resulted in an absence of rivalry or competition between different sources of production. The limited area of Scotland and

the historical development of a co-operative Movement, preserving largely an independent identity from the English Movement, have led to a tendency towards self-reliance. Furthermore the absence of very large retail societies has also contributed towards a closer tie between the retail societies and the Wholesale.

On the other hand the comparatively narrow market which the S.C.W.S. supplies has prevented the establishment of factories any larger than the prevailing size of plant in that particular industry. It has already been pointed out that S.C.W.S. factories are generally small or medium sized. This rules out from S.C.W.S. future development plans, if it confines itself to the Scottish Co-operative market, any industries in which an economic production implies a large unit of manufacture. Moreover, any move toward specialisation is severely handicapped by the clamour of consumers in such a limited market for variety and a wide choice. Suggestions to widen the outlets for S.C.W.S. products have been put forward by one of its committees.

They include:-

- (a) The buying-out of private firms already possessing market outlets which could be retained to such an extent as proved necessary.
- (b) The setting-up of joint undertakings with the C.W.S. for the purpose of ensuring the maximum co-operative market for factories which must operate on a large scale.
- (c) The development of export trade.

The Committee further recommends that before any new outlets are sought the co-operative market should be fully infiltrated with co-operatively produced goods. Indeed a very important factor for the stability and prosperity of the S.C.W.S., as the Committee maintains, is the support given by the retail societies, but should this support be the only determinant of co-operative production? The support of the retail societies is vital for the Wholesale. In fact the closing down of the Brush Factory in 1953 was due to a lack of support on the part of the retail societies. The Scottish co-operative market, according to experts, was adequate to absorb the production of this factory but competition from other manufacturers was so severe that more than half the production of the S.C.W.S. was sold to local authorities and to private firms. But if the Wholesale Society is to gain this support it must produce goods ~~with~~ comparable ⁱⁿ quality and price ^{with} other goods available in the market. The losses incurred year after year by the furniture factory at Shieldhall¹ are due to the inferior quality of workmanship turned out by the employees. The introduction of the utility scheme may be another reason, but even after the abolition of 'utility' losses were still occurring. The gradual return to pre-war conditions has set many societies free to buy from other manufacturers instead of being restricted by regulations and quotas to buy from a particular manufacturer or wholesale merchant. The S.C.W.S. therefore, had to be prepared for severe competition as soon as war restrictions were removed. For example, consumption of polishes increased considerably during the War years mainly because of limited supplies in the market,

1. Between 1949 and 1952 the following deficit amounts appeared for the furnishing department in the annual statements of accounts: £62,354, £28,743, £20,337, and £32,973.

but as soon as supplies of other manufacturers became available, S.C.W.S. sales suffered badly. This was also noticeable in fish sales: a sharp fall in the volume of sales occurred immediately after decontrol of fish in April, 1950. It was obvious that retail societies were directing their trade to fish merchants from the private trade. The following are S.C.W.S. sales before and after decontrol.

<u>1950:</u>	<u>Stones</u>		<u>Stones</u>
January	30,261	May	21,048
February	23,075	June	13,173
March	32,160	July	11,726

This problem of support given by the retail societies has already been discussed in Chapter 4 when the conclusion has been reached that loyalty to the Wholesale Society must be based only on economic considerations. This conception must be asserted here, and the Wholesale should not expect the retail societies to deal in co-operatively produced goods if they are of inferior quality or higher price than other goods. Further we see no reason why the S.C.W.S. should confine itself to the Scottish Co-operative market. If it can sell its goods to private traders it must do so. In fact a test of the competitiveness of co-operative goods would be their salability in the private market where they can compete freely with other makers goods. The S.C.W.S. already manufactures in its own factory cigarettes of a well-known brand to a firm from the private-trade. This practice should be further extended to direct selling to retailers and wholesalers from the private trade.

Long-term planning is obviously the remedy for any serious interruption in the co-operative production programme. The S.C.W.S. may have fewer chances than the English C.W.S.¹ to plan for plant specialisation again because of its narrow market, but this should be no reason for the S.C.W.S. to try to produce in one factory all the lines related to a particular trade. More attention should be given to specialisation; instead of producing a large variety of goods in each factory there should be concentration on fewer lines, so that the benefits of large-scale production may be fully gained. The retail societies should know in advance the policy of the S.C.W.S. with regard to the establishing of new plants or the closing of old ones. More consultation should take place between the Wholesale and the retail societies before any definite action is taken towards future planning for co-operative production.

(a) As members of the _____

(b) As members of the _____ society.

(c) As members of the _____

(d) As members of _____

These determinations of _____ in retail.

(1) The societies _____

From the _____

all those employed by _____

societies employing them. _____

retail societies in their _____

1. Cf. A.M. Carr-Saunders, P.S. Florence and R. Peers, op. cit. pp. 444 and 445.

C H A P T E R VIII

Co-operative Employment

The machinery of democratic control as it functions in the Co-operative Movement has placed the co-operative employee, who is usually a member of his society, in a fundamentally different position from that of his counterpart in private enterprise. Moreover, the reasonably cordial relations between the Co-operative and the Trade Union Movements have resulted in a favourable treatment on both sides, and this has had certain repercussions on the co-operative employee. This chapter comprises an examination of the various factors that influence the status of the co-operative employee in his society's employment and the manner in which he performs his duties in the light of this acquired status.

Co-operative employees can exert an influence on the management of their employing society by one or other of the following means:-

- (a) As members of the society employing them.
- (b) As members of the management committee of the employing society.
- (c) As members of their own trade unions.
- (d) As members of joint advisory councils, taking part in some form of joint consultation.

These determinants of status are considered here in detail.

(1) The employee as a member

From the case studies already presented it can be said that all those employed by Co-operative societies are members of the societies employing them. S.C.W.S. employees are members of the retail societies in their localities. If the employee is not a

member at the time of his engagement he finds it to his advantage to become a member, and societies even go to the extent of engaging only Co-operative members. As we have seen, this practice was widely adopted and strictly adhered to before the war when labour was abundant. To-day, preference is given to co-operative members, and in the case of juniors to members' children.

The argument for adopting this policy is that a member of an organisation should believe in its objective otherwise he cannot be expected to exert himself to that end. But whether a person born of a co-operative family is necessarily a convinced co-operator is open to doubt, for it is likely that he is a co-operator by birth rather than by conviction. The claim that such an employee is more likely to give the right kind of service than a person who has no knowledge of the Movement from inside may be refuted by the fact that a very small percentage of Co-operative members know anything about the internal affairs of the Movement. Co-operative philosophy cannot be exactly compared with the common purpose or objective of a public company, for there is something more in the co-operative gospel and it has to a great extent, some sort of political colour.

Should the potential co-operative employee, therefore, essentially be a follower of that political institution? The answer to this question depends a great deal on whether one looks at the co-operative shop as a centre for the distribution of goods, the selling of certain ideas, or for both purposes at the same time. Surely co-operative leaders do not expect at any time that

all purchasers from their shops should be concerned with the political aspects of Co-operation, much as they would like them to be so. This is actually borne out in practice, since, as already mentioned, it is only for a small part of the members that the Co-operative Society is anything but a shop. The co-operative shop, as we have maintained in Chapter 5, should be considered a means and not an end. It is by their success in business that co-operators can hope to achieve and realise their ultimate aims. But the means cannot be separated from the end, and therefore, while the co-operative employee should be efficient and well qualified in his particular trade, it is also important that the co-operative employee should believe in the Movement as such.

By confining itself to members of co-operative families, however, the Co-operative Movement is limiting itself to a part of the population. In this way the Movement may be depriving itself of some of the best talent in trade and industry. A better policy would seem to be the admission of entrants on a wider basis, and the provision of a proper business training which combined co-operative principles with the best of modern business methods.

Some societies scrutinise employees' purchases and in most cases this factor is taken into consideration in matters of promotion and salary increases. No formal action can be taken against an employee who buys little from the society employing him, but the general practice of management committees makes

this question of whether the employee actually follows the co-operative principle a condition of eligibility for responsible positions in the society's employment. This pressure from above is not compatible with the voluntary nature of the Movement and perhaps costs the Movement some able men. Promotion to higher and responsible positions should depend entirely upon the employee's ability and efficiency.

As a member of the society employing him, the employee can participate in all the society's activities, including attendance at its general meeting. The employee member is also eligible for election to the Management Committee but this does not concern us in this section. Employees' attendance at general meetings in all the societies investigated is relatively high, in fact usually one third of those present at retail society's general meetings are employees. Collectively the employees of a co-operative society have a considerable influence in the society's control. Besides their direct influence upon the election of directors and office-bearers, the employees have an indirect effect on the society's business. They can influence decisions taken in general meetings, e.g. amalgamation proposals usually fail because of employees' opposition. Moreover, directors of retail societies in many cases take account of the reaction of the employees to their decisions, because it is the support of the employees that they count upon when they stand for re-election. On the whole employees are aware of their power, and it is not surprising that management committees and management staff are sensitive to employees' pressure. Employees

interests can be different from and detrimental to the interests of the general membership.

This problem can be solved in one of two ways. Employees can be deprived from their right of voting at general meetings on account of their vested interests in the Society's employment. It is not likely, however, that such a move would find support in the Co-operative Movement since co-operative leaders are very conscious of the democratic principles of the Movement. On the other hand employees pressure can be arrested by stimulating the interests of the other sectors in the membership. This seems to be a more reasonable solution and it is indeed by making the co-operative democracy as healthy as it could be that one can avoid any undue pressure from one element or the other.

(2) As members of management committees

The exclusion of co-operative employees as members, from eligibility for election to management committees was, at the time of the Webbs, a universal practice of consumers' co-operative movements, but this is not so at the present time. A gradual change in the practice of retail societies has taken place in the last two or three decades. Of the six societies investigated, four allowed their employees to stand for election to the management committees. The number of seats in the committee that can be occupied by employees is in all cases limited. Employees are elected as representatives of the general membership by whom they are nominated. In two societies only, viz., Glasgow South and East Lothian, employees are deprived of this right. There is no published information to show the general position in

Scotland, but investigations made by U.S.D.A.W. show that a quarter of the societies in Great Britain, employing 68 per cent of the total number of employees grant full membership rights to their employees. It is clear that in the main, larger and medium-size societies do so, while small societies still deprive employees of some of their membership rights. In fact, of the societies with membership above 50,000, about 82 per cent grant full rights, while the percentage is about 72 for societies with 15,001 to 50,000 members. Only 11 per cent of the societies with 1,001 to 5,000 members actually grant full membership rights.¹

The argument for allowing employees to sit on the Board of Management is based upon maintaining the democratic nature of the Movement, and the desire to give employees the chance to become active co-operative citizens. It is sometimes claimed that allowing the employees this right gives them interest and encouragement in the work of the society, and it further gives them a chance to have representatives on the committee to safeguard their interests. Moreover the employee directors may be able to give the committee authoritative advice in all matters under discussion, and they can safeguard the member's interest because they are nearest to him.

On the other hand, an increasing apathy on the part of the members makes the employees' influence even more disproportionate to their numbers, and therefore a deficiency of the democratic machinery might be remedied by depriving the employees of some

1. U.S.D.A.W. Seventh Annual Report, 1953, p.13.

of their membership rights. The ability of employees' representatives to give authoritative advice to the committee depends entirely on the positions they occupy among the society's staff. If they are leading officials in the management they can speak with authority and knowledge and they can benefit the committee through their experience. Their knowledge of the day-to-day business of the society, however, gives them an advantage over the other laymen committee members. The employee directors in this case can influence the decisions of the Board, and this may be detrimental to the consumers' interests. On the other hand if the employee directors are engaged in their daily work in minor positions, there is little that they can do to benefit the other committee members. We have seen that in all the societies investigated, which allowed employees to sit on the Board, only St. Cuthbert's had employees above the level of shop manager appointed as directors. Other societies had men employed in minor positions, e.g. night-cleaner in the garage or assistant butcher, elected to the committee. It is apparent that these men did not have much influence on the committee's discussion, but there is bound to be some indirect influence, because, although these men are in the Committee as the members' representatives, unconsciously they look after the interests of their fellow-employees, and the other committee members therefore, tend all the time to be on their guard in an attempt to secure the employees' support.

Although the danger against discipline does not show itself in all the cases investigated, there is, nevertheless,

universal opposition from managerial staff against employees sitting on the Board. It is natural that a supervisor should not appreciate the idea of his subordinate sitting at the Board because, firstly, there is the danger of some information going to the Board which could only cause the relations between the supervisor and the Board to deteriorate, and secondly, because the manager would not act with freedom in his treatment of that particular employee who in the evening has a different authority. All is well as long as there is co-operation and understanding between all, the employee directors, the management, and the Board, but once personal conflicts appear, the whole set-up causes confusion. The authority of the general manager is challenged and trouble ensues.

Employee directors cannot claim to look after the interests of their fellow employees because they are not supposed to be there as employees' representatives. Nor can they claim to be best suited to safeguard the members' interests, since they are in no better position than the laymen members who know well what the members' interests are. Moreover, if one is doubtful whether employees should be allowed to attend and vote at general meetings one cannot allow them to sit on the Board.

(3) The Relations between the Co-operative and the Trade Union Movements

The relations between the Trade Union and the Co-operative movements are fundamentally different from those between the trade unions and employers from private enterprise. This state

has been established both by the traditional developments and the present-day set-up of labour relations.

Historically the two Movements were of similar origins. The fact has already been explained, in Chapter 1, that the two movements had a common stimulus in the growing power of the manufacturer in controlling industry and his success in depressing wages and exploiting labour. The rise of trade unionism in the distributive trades came rather later than in other fields, and it is no exaggeration to say that had it not been for the continuous encouragement from co-operative leaders, trade unionism in the distributive trades would have had to suffer suppression for a longer time. Then as soon as the rising trade unions began to exercise influence in co-operative employment, the Co-operative Movement realised that it had to take a different position, since the unions were now becoming powerful and demanding wages and conditions from co-operative societies which the Movement was unable to grant if it were to compete with private traders and manufacturers who were paying lower wages.

The trade unions catering for co-operative employees began to organise themselves individually on a national basis long before the Co-operative Movement started to build up national machinery to organise its front. The trade unions had to negotiate separately with individual retail societies, with the result that management committees found themselves devoting substantial time to labour disputes and, what is more important,

meeting the pressure of the trade unions which had become in many cases rather insistent. Members of management committees and managers were not experienced in matters of wage negotiations and labour disputes with the result that the A.U.C.E. officials could in many cases get their way in wage demands. In order to control the growing power of the organised employees the Co-operative Movement started to create its own collective bargaining machinery, first at the local level, and then nationally.

At district level there are the District Hours and Wages Boards composed of representatives of management committees of societies in the district. Affiliation of retail societies to these Boards is voluntary. District Wages Boards have been very helpful, acting as associations of employers advising societies about wages standards in the district and organising negotiations with the trade unions. The Scottish Sectional Wages Board, one of eight sectional Boards, was established in 1917, and consisted of representatives of the District Wages Boards, two from each affiliated Board, two from the S.C.W.S. and one from the Scottish Sectional Board. Affiliation of the district Boards to the Sectional Wages Board is voluntary and it was not until 1947 that all eleven district Boards in Scotland became affiliated to the Scottish Wages Board.

A National Hours and Wages Board was originally established as a war-time expedient but is now established on a permanent basis. It has successfully negotiated with the trade unions

concerned, and since 1947 national agreements have been concluded covering the whole body of co-operative employees. These national agreements have actually replaced previous agreements negotiated locally by the District Boards or the societies themselves.

In view of differences in local circumstances, however, certain societies find themselves compelled to pay rates higher than the agreed rates in order to obtain or retain the necessary manpower. There are a number of cases of this kind in England and Wales, but in Scotland, as far as is known, there is a universal adherence to national agreements. The reason for this, as will appear shortly, is that the standard of wages paid by Co-operative societies in Scotland is equal to that paid by societies in the large towns in England. Now, since the standard of wages and earnings is generally lower in Scotland than in England and Wales¹ the result is that the Scottish Co-operative Employee is in a relatively better position. There are, however, in Scotland a few societies where extra wages are paid, not as a supplement to the agreed basic rates, but in the

1. A detailed study of wages and salaries in the United Kingdom shows that average earnings for employees in Scotland are lower than the averages for England and for the United Kingdom as a whole. A.K. Cairncross, *Scottish Economy*, Chapter II.

The position in the distributive Trades may be indicated from a comparison of the rates of wages of employees engaged in the retail food trades as fixed by the Wages Councils for England and Wales and for Scotland. Comparing Provincial A rates in England and Wales with the rates fixed for Scotland one finds a difference of anything from 2 to 9 shillings in the various grades of shop managers. Cf. The Retail Food Trades Wage Council (England & Wales) Wages Regulation Order, 1953, No. 1305, and the Retail Food Traders Wages Council (Scotland) Wages Regulation Order, 1953, No. 1333.

form of a bonus on wages such as in St. Cuthbert's for clerical jobs and in Glasgow South Society for salesmen. The Glasgow South, moreover, pays a bonus on wages equal to the rate of dividend paid on purchases. A number of societies in Glasgow actually follow the practice of the Glasgow South Society. Although in principle a payment of bonus on wages dependent on the rate of dividend distributed is different from a deviation from the nationally agreed rates, yet the fact remains that it adds to the pay packet. Without it these societies might have found it difficult to obtain the necessary manpower.

The wisdom of tying societies to rigid rates of wages is doubtful. Societies, according to these national agreements, are classified into two grades 'Provincial A' and 'Provincial B'.¹ One feels that there is not enough flexibility to allow for the different circumstances in which societies operate. Societies, for example, operating in districts in which earnings are low are expected to pay the same rates as societies operating in flourishing districts. It is true that societies passing through a difficult time can apply for a temporary de-grading from 'Provincial A' to 'Provincial B', but this is a different matter from the permanent arrangements. Moreover, as we have already mentioned, the ability of the salesman is not reflected only by the amount of sales he is able to make. Other factors must be taken into consideration, for example, the location of the shop, whether it is in the centre of the town, in a back

1. There is a third grade 'metropolitan' which is applicable only to the London area.

street or in the suburbs, the density and type of population served in that area, the facilities offered to customers and such-like factors. The system of nationally-agreed rates suffers from lack of incentives devised and adopted to the society's own circumstances. This may be a strong reason for lack of initiative and creativeness. Remuneration of employees must reflect their ability and performance, and the wages system must act as a motivating factor for increasing efficiency. Thus we find that the Glasgow Society has introduced a system of bonus on sales, relating sales to expenses; its purpose is to stimulate effort and raise the standard of efficiency. Many other societies would like to apply similar schemes but perhaps not at the cost of raising their wages bill. Such methods, however, are not looked on with favour, perhaps because the Co-operative Movement, like the Trade Unions, prefers uniform treatment for all concerned.

(4) A comparison of Wages and Conditions

It is difficult to make a direct comparison of wages and conditions in the Co-operative Movement with those prevailing in private trade, because of the lack of adequate information about remuneration and conditions of work in distributive trades in general. Reference could be made, however, to the statutory wage rates and hours of work as fixed by the various wage councils, operating for the Food and other retail Distributive Trades, but this would not satisfy our purpose since the actual paid rates differ from the statutory wage rates.

For some years the trade unions interested in the Distributive Trades have been trying to reach an agreement with some of the large multiple and departmental organisations, and a number of these have already been included. Recently the Union of Shop Distributive and Allied Workers came to an agreement with the National Association of Multiple Grocers (Scottish Section). It is safe to compare the rates of wages fixed by this agreement with the nationally agreed rates of the Co-operative Movement. But one has to be somewhat cautious in drawing conclusions from such a comparison, because the multiples claim that they pay, in a number of cases, rates higher than the agreed-upon rates in the form of bonus and other incentive schemes. The Co-operative societies, as has already appeared from the case studies, pay no more than the agreed rates. Co-operators claim, however, that while they adhere strictly to the number of hours and conditions stated in the agreements, the multiples often keep their employees for longer hours after closing time, dressing windows and tidying the premises. These claims cannot be checked and we can only compare the figures as they stand.

The scale fixed for co-operative shop managers (Grocery) starts with the grade under £100 weekly trade at 158s. 3d. The rate is increased gradually, £100 and below £110, 161s. 3d., £110 and below £120, 163s. and henceforth for every £10 increase in the weekly trade the wage is increased by 1s. From £400 trade onwards, the increment is 1s. for every £20, and from £910 onwards the increment is 1s. for every £30.

On the other hand, the multiples' agreement starts from a lower level, under £70, for which a weekly wage of 153s is fixed. For a weekly trade of £100 and under £110 the rate is 163s. with an increase of 1s. for every £10 until the weekly trade is £460, when the increment is 1s. for every £20. There is no upper limit in the multiples' agreement.

Apart from the difference in the length of the working week, which is 44 hours for the Co-operative Societies and 46 hours for the multiples, the following differences may be noted:

1. For a weekly trade below £100 the co-operative wage is higher than the multiples'.
2. On the whole the co-operative pay more for smaller shops, whereas the multiples pay more for larger shops.
3. Above the level of £910 weekly trade the differences between the multiples' rates above the Co-operative's becomes large, since the co-operatives pay 1s. for every £30 increase, whereas the multiples pay the same increment for every £20 increase in trade.

A comparison of the rates fixed for clerical workers shows a different relation. Here we find that the multiples are paying lower rates for all ages. Moreover they have a longer week, 46 hours for the multiples, compared with 40 for Co-operative Societies. A recent agreement between the S.C.W.S. and U.S.D.A.W. fixes the working week at $38\frac{1}{2}$ hours. The following are the rates fixed according to the agreements referred to above:

Age	Co-operative Retail	S.C.W.S.	Multiples
	s.	s.	s.
15	53	49	50
16	57	55	55
17	63	63	60
18	88	80	78
19	94	88	88
20	104	99	100
21	135	127.5	119
22	141	135	124
23	144	138	129
24	147	141	141
25	155	144	147*
26	155.5	148	-

* Grade 1 rate.

From these figures it would appear that the co-operative retail societies pay higher rates than the multiples, with the S.C.W.S. rates standing in between.

Moreover, a comparison of the rates of wages fixed for general distributive workers in both cases shows that the Co-operative Societies pay more for shorter hours. The difference in the rates of wages ranges between 3s. and 11s. at different ages.

With regard to working conditions, again a guide can be taken from the two agreements in operation which are mentioned above. The following table shows a direct comparison:

	<u>Multiples</u>	<u>Co-operatives</u>
Work on Sunday	Double the time with minimum of 2 hours if work is in connection with preservation of perishables and 4 hours if work is for any other purpose	Double the time with minimum of $4\frac{1}{2}$ hours but if work exceeds $4\frac{1}{2}$ and not more than 8 hours worker is paid for 8 hours
Work on half-day holiday (When this is permitted by the Shops Act)	Double time after 1.30 p.m.	$1\frac{1}{2}$ time after 1 p.m. provided that a substituted half-holiday is not arranged
Work in excess of the normal week (other than above)	in excess of 46 hours time and a half	in excess of 46 hours time and a half
Holidays with pay	not mentioned	Two weeks
Sickness Payment	<u>Maximum allowed</u>	<u>Maximum allowed</u> ⁺
Second 6 months	6 days	Nil
" year	12 "	14 days
Third year	18 "	28 "
Fourth year	24 "	42 "
Fifth year	24 "	56 "
Sixth year	36 "	12 weeks
Ninth year	36 "	24 "
Tenth year	36 "	26 "

+ According to a special agreement concluded in October, 1952.

It is clear from the above that for the general distributive and clerical workers co-operators pay more than the multiples. Payment for shop managers, however, is likely to be more in the

co-operatives for the lower volumes of trade, but, as the amount of trade increases, the multiples pay higher increments with the result that the scale reverses in favour of the multiples in the case of larger shops. It is difficult to make any comparison of payments for officials holding higher managerial positions, but there is general discontentment regarding the scales of payment in the co-operative societies, as it is claimed to be much lower than in the private trade.

There is in fact a tendency within the Co-operative Movement to narrow the gap between the top and bottom grades in Co-operative employment, and this, if taken too far, will be at the expense of losing some of the abler managers who prefer to earn more outside the Movement. The S.C.W.S. not long ago, had to accept the resignation of its confectionery factory manager who was offered a higher salary from another firm. It is also understood that a few years ago an S.C.W.S. director, a chartered accountant, resigned from this position to take another more remunerative job in private trade. Similar cases may be happening in the retail societies, but they are not very frequent. Although private trade may offer better chances there is, nevertheless, a sort of incentive in working with the Co-operative Movement-the satisfaction gained in working with an organisation with social ideals.

(5) Joint Consultation

Joint Advisory Councils, as a form of workers' participation in management, does not seem to have met with the same degree of success as employee representation on management committees.

Round about the 1930's some attempts were made to form Joint Advisory Councils representative of the employees and the management, but these did not survive for long. The purpose of these Councils was in many cases misunderstood: departmental discipline was undermined when employees tried to run their own departments through the Council.¹

In Scotland to-day, though there is some revival of the idea of Joint Advisory Councils, there is no indication so far, that anything practical is being done. Among the six societies investigated only St. Cuthbert's has experimented with the idea. A grocery Advisory Council is in operation; it is supposed to meet monthly, but does so only when the need arises. There does not seem to be much enthusiasm for such projects. Among the other societies investigated, there is no likelihood of forming Joint Councils in the near future. Some top management officials will not tolerate the idea of employees sitting either on the Board or with the management for joint consultation. It is obvious that the problem of joint consultation in such a formal way does not arise in the smaller societies, for it is with the larger societies that consultation becomes advisable.

The S.C.W.S. as we have already mentioned operates some sort of Works Councils in which representatives of the rank and file employees and the management meet and discuss conditions of work, but, as we have seen, these Councils are not functioning properly, and they do not find adequate support from either the management or the employees. In the writer's view, the tone is not set for joint consultation; management, at top or mid-level, is not yet

1. 1935 Congress Report, p.47.

convinced of any possible benefits likely to accrue from consultation with employees. This is equally true of the whole-sale as well as the retail societies. If any form of consultation is provided for, in most cases it does not come of the management's own accord. The machinery of joint consultation cannot be expected to show benefit unless all concerned believe in its use and worthiness. This brings us to two problems in co-operative labour relations in general:

1. Mention has already been made of the lack of consultation at the various levels of management, a consultation which could remedy the existing lack of policy understanding.

2. There is a general feeling among management staff which is largely justified, that the employees are already getting enough representation, and exercise perhaps too much influence on top control. This feeling is common, and management personnel find that even without joint consultation they are getting enough interference in their own business. They see the employees' influence in decisions taken by general meetings, in the action of the management committee, and in the power of the trade unions.

This problem is fundamental to the whole question of efficiency in co-operative employment. As we have seen in a number of societies, small and medium-sized, the authority of appointing and dismissing employees is in the hands of the Board. The general manager in most cases finds it difficult to take action against any employee. In larger societies this authority is

concentrated at the general managers' level. The result in all cases is that demotion or dismissal becomes difficult. Employees in all cases bank upon this security of tenure, and the management finds itself restricted in imposing its disciplinary measures or incentive schemes. These circumstances obviously have their effect on the efficiency of the co-operative employee. The Movement has adequate facilities for the training and education of its employees, but there is a lack of incentive for employees to take advantage of the facilities offered to them. Better relations between management and labour would result if all labour matters were left to the management, and not to the Board. The Board must be left as the last resort to ensure justice and fair play.

CHAPTER IX

Co-operative Enterprise and the Consumer

An assessment of the importance and effectiveness of co-operative enterprise as a channel of distribution can now be attempted on the light of the foregoing analysis. In this attempt we shall first examine the position held by the Co-operative Movement in respect of other forms of retail organisations; further, we shall consider the relative strength of the Movement in the various fields of retail trade; finally, an attempt will be made to assign reasons for the weakness or strength of the movement, taking into consideration the findings of the previous chapters.

1. Co-operative and Private Trade

Prior to the appearance of the Census of Distribution it was rather difficult to make an estimate of the relative importance of the various retail distributive channels. Several attempts, however, were made to estimate the volume of trade in consumer goods, prominent among which were the researches undertaken under the auspices of the National Institute of Economic and Social Research.¹

By the end of the Second World War official figures were published giving estimates of the total private expenditure in the government White Papers on National Income and Expenditure in the

1. A.R. Prest. Consumers' Expenditure in the U.K. 1900-1919.
R. Stone. The Movement of Consumers' Expenditure and Behaviour in the U.K., 1920-1928.

United Kingdom.¹ Furthermore J.B. Jefferys' recent book 'Retail Trading in Britain 1850-1950' presents an analysis of the retail trade in the last hundred years. All these sources, however, allow us to ascertain the position in the United Kingdom as a whole and not in Scotland alone. One assumption, nevertheless, may be made: spending in consumer goods per head of the population in Scotland is almost equal to the average for the United Kingdom. This hypothesis about a direct relationship between population and the volume of retail trade in Scotland and in Great Britain can be substantiated by the findings of the Census of Distribution as shown in the following table:

TABLE 34.

Consumer spending in Great Britain and in Scotland

	<u>Great Britain</u>	<u>Scotland</u>
Volume of Retail Trade £....	4,922,931	517,604
Population	49,004,459	5,174,459
Trade per head £....	100.45	100.03

Source: Census of Distribution and Other Services.

Scottish spending per head of the population in 1950 was £0.42 less than the average spending in Great Britain. Furthermore the inquiry on the weekly expenditure of working-class households in the United Kingdom, carried through by the Ministry

1. National Income and Expenditure of the United Kingdom, 1946 to 1950.

of Labour in 1937/38, shows that although there is a difference in household consumption, expenditure per person differed only slightly.¹ It will be observed from Table 35 that if one deducts from the returns expenditure on the two items 'housing and rent' and 'fuel and light', which do not concern us as far as retail trade is concerned, the difference between the two figures amounts to 8½d. or 3.9 per cent of the Scottish consumption.

TABLE 35.

Average Weekly Expenditure in Scotland
and the United Kingdom, 1937/38.

	<u>Expenditure per person in household</u>			
	<u>Scotland</u>		<u>United Kingdom</u>	
	s.	d.	s.	d.
Total Expenditure	22.	2¾	22.	6½
Deduct: housing) & rent, fuel &) light	3.	6¾	4.	7
	18.	8	17.	11½

Source: A. K. Cairncross op. cit. p. 172.

For the purpose of comparing Co-operative Trade with national Trade in Scotland, the assumption of equal spending per head of the population in both Scotland and Great Britain would not affect our analysis to any appreciable extent.

J.B. Jefferys in his study of retail trade² used the estimates made by Prest and Stone already mentioned, but as

1. A.K. Cairncross, op.cit., p.171.

2. J.B. Jefferys, Retail Trading in Britain. 1850-1950.

Jefferys excluded from his analysis the item coal, which has always constituted part of the co-operative trade, we shall have to take this item into consideration. In the following table the trade in coal is added to Jefferys' estimates, and from the aggregate trade for Great Britain an estimate for the Scottish retail trade is derived, to which Co-operative trade is then related.

TABLE 36.

Consumers Retail Trade in Scotland.

	<u>1900</u>	<u>1910</u>	<u>1920</u>	<u>1938</u>
Consumers Retail Trade Great Britain £m.	750	892	2863	2302
Coal Consumption Great Britain £m.	48.1	37.2	102.0	98.8
Total Consumers trade Great Britain	798.1	929.2	2965	2400.8
Proportion of Scottish to British population %	12.1	11.7	11.4	10.8
Scottish Consumers Trade £m.	96.57	108.72	338.01	259.29
Co-operative Trade in Scotland £m.	10.654	14.852	46.69	42.609
Proportion of Co-operative trade to total Retail Trade in Scotland %	11.03	13.66	13.80	16.40

Sources: A.R. Prest., op.cit. p.107. , R. Stone, op.cit.p.237.
Co-operative Statistics and J.B. Jefferys, op.cit.p.453.

The proportion of retail trade in consumer goods as represented by the co-operative trade has therefore increased gradually from 11.03 per cent in 1900 to 16.40 per cent in 1938. A more objective assessment of the situation can be made for the year 1950, since

the census returns give separate information about co-operative trade. The following table shows the position in 1950 of co-operative trade in relation to the total of retail trade in both Scotland and Great Britain.

TABLE 37.

Retail Trade in 1950

		<u>Great Britain</u>	<u>Scotland</u>
Retail Trade	£'000	4,922,931	517,604
Co-operative Trade	£'000	592,880	103,867
Proportion of Co-operative Trade to total	%	12.04	20.07

Source: Census of Distribution and Other Services,
Vol. 11., pp.122-123.

It should be noticed that the volume of co-operative trade as given in the census varies from the amount appearing in the statistics published by the Co-operative Union, and the difference may account for the services performed by retail societies which are included in their accounts as part of their retail trade. Moreover, according to the Census introductory notes, it is estimated that the value of sales covered by the census represents 95 per cent of the total sales. It is likely that returns relating to co-operative trade represent a higher percentage and therefore the percentages appearing in the table may be slightly more than the actual proportion.

Thus, taking a view of the progress in the last fifty years, the Movement has increased its share of the national trade in both Scotland and Great Britain as a whole.¹ But during this half-century certain other developments have taken place in the retail distributive trade. At the beginning of the century about 88 per cent of the retail trade in Great Britain was handled by the small retailer, 6.5 per cent by Co-operative Societies and the rest, about 5 per cent by other large-scale retail organisations, namely the multiple shops and department stores.² In 1950 department stores and multiple shops had, among them, about 25 per cent of the retail trade, the Co-operatives about 12 per cent, and the small retailer had about 63 per cent. Thus in fifty years large-scale retailing has increased its share five-fold, whereas the Co-operatives have hardly doubled their share from the retail trade. It is unfortunate that no objective assessment can be made of the corresponding position in Scotland during this half-century, but an analysis can be made of the prevailing conditions in 1950 from the census returns. Table 38 shows the distribution of retail trade among the various kinds of retail organisations as indicated by the census.

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1. In Scotland from 11.02 per cent in 1900 to 20.06 in 1951, and in Great Britain from 6.5 per cent in 1900 (according to Jefferys estimates), to 12.04 in 1951.
 2. J.B. Jefferys op. cit. p.29.
 3. J.B. Jefferys op. cit. p.73.

TABLE 38.

Retail Trade in 1950 grouped by form of Organisation.

No. of Establishments belonging to one Organisation	<u>G.B.</u>	<u>Scotland</u>	<u>G.B.</u>	<u>Scotland</u>
	Volume of sales. £'000	Volume of sales. £'000	Proportions to total retail trade (including co-oper- ative.) %	Proportions to total retail trade (including co-oper- ative.) %
1	2,366,467	247,065	48.1	47.7
2 - 4	595,720	52,748	12.1	10.2
Above 4	1,367,864	113,924	27.8	22.0
Co-operative	592,880	103,867	12	20.1
Total	4,922,931	517,604	100	100

Source: Census of Distribution and Other Services.
Vol.11., pp.100-101.

It appears from Table 38 that organisations having one establishment only hold practically the same ground in both Scotland and Great Britain where their shares of the retail trade amount to 47.7 and 48.1 per cent respectively. The share of retail organisations having more than one establishment, however, is smaller in Scotland than in Great Britain as a whole. Conversely the Co-operatives have a greater share of the retail trade in Scotland than in Great Britain.

As we have shown earlier in this chapter, and also in chapter 2, the Co-operative Movement's stronger hold in Scotland can be traced back to the beginning of the century, when it had a larger representation among the population, a higher trade per member and a higher share in the national trade than in Great Britain as a whole. Thus it appears that the Scottish Movement's early strength has helped

her to maintain and even to increase her share from the national trade. It is obvious that the delay in the appearance of co-operative retailing in certain parts of Great Britain, particularly the South of England, has encouraged other forms of large-scale retailing to gain ground from the small retailer. This can be clearly observed from table 39.

TABLE 39.

Regional Retail Sales Grouped by Kind of Organisation

Volume of Sales				Proportion to total retail trade		
Region	Organisations with 1-4 Establishments £'000	Organisations with over 4 Establishments £'000	Co-operative Societies £'000	Small Retailer %	Medium & large Retailer %	Co-operative Retailer %
Northern	156,574	78,111	59,881	53.0	26.6	20.4
East & West Ridings	248,307	93,075	56,603	62.4	23.4	14.2
North Midland	197,976	72,651	55,041	61.0	22.1	16.9
Eastern	179,647	77,541	31,500	62.2	26.8	11.0
Greater London	594,987	375,369	62,877	57.6	36.3	6.1
Remainder (of London & South Eastern)	164,696	79,602	18,539	62.7	30.2	7.1
Southern	160,551	80,460	20,220	61.5	30.8	7.7
South Western	181,004	68,963	28,507	65.0	24.8	10.2
Midland	249,442	120,624	46,192	59.9	29.0	11.1
North Western	394,650	158,227	85,973	61.8	24.8	13.4
Wales	134,538	51,316	23,681	64.2	24.5	11.3
Scotland	299,813	113,924	103,867	57.9	22.0	20.1
Great Britain	2,962,187	1,367,864	592,880	60.2	27.8	12

Source: Calculated from Census of Distribution and Other Services, Vol.11, Table 9.

Large-scale retailing¹ is at its best in Greater London, where it has a share of 36.3 per cent of the retail trade. Other regions, where large-scale retailing has a relatively higher share of trade than the average for Great Britain, are the Midland, the Southern and the remainder of London and South Eastern. Co-operative enterprise has a relatively small share of trade in these parts and in fact it developed there only after the beginning of the twentieth century. It appears also from the table that co-operative retailing has a relatively higher share than the average for Great Britain in the older industrial regions, namely Scotland, the Northern, the North-Western and the North Midland. This follows closely the historical development of the Co-operative Movement in Great Britain, and thus it indicates that the relative strength of any form of large-scale retailing depends upon which of the two forms is first in the field, co-operative or private large-scale retailing. But even when the two started at practically the same period, as happened in the South of England, it is private enterprise which had a larger share. In fact, department stores were first attracted to London and other large centres, and it was not until later that provincial and suburban department stores were started.² Furthermore these observations point to the danger that, with the passage of time, co-operative enterprise is likely to lose ground to private large-scale retailing.

1. The term large-scale retailer implies organisations with over 4 establishments.

2. J.B. Jefferys op.cit. p.344.

From our analysis of co-operative trade in chapter 2 it became clear that average sales per member, when corrected for price changes, showed a decline throughout the period 1914-1950. Applying the same index to consumer-spending during the same period we find that spending per head of the population has actually increased from £22.5 in 1915 to £32.1 in 1938 as indicated by the following table.

TABLE 40.

Consumer Spending for the Years 1915, 1920, and 1938.

	1915	1920	1938
Consumers Retail Trade in Great Britain £m.	1142	2863	2302
Spending per head of the population £	28.6	61.9	49.8
Spending Corrected for Price changes £	22.5	22.7	32.1
Retail Price Index Adjusted (1914 = 100)	127	273	155

Sources: Calculated from J. B. Jefferys op.cit. p.453,
J.A. Hough, Co-operative Retailing, p. 163.
Statistical Abstract for the United Kingdom
(population and

It is obvious therefore that the increase of the co-operative share in national trade is due to extensive rather than intensive development. In other words, there are new members joining the co-operative society, but on the whole each member is buying a smaller proportion of her household requirements than she bought in the past.

How can one interpret this tendency, and what could be done to arrest this decline in consumers' dependence upon the co-operative shop? Several reasons can be given at this stage, but before we do this it is suggested that the departmental set-up of co-operative trade be examined, so that further light can be thrown on the problem under consideration.

2. Co-operative Departmental Trade

A statistical analysis of the distribution of co-operative trade among the various departments can only be traced from 1931 onwards. The following two tables show the volume of departmental trade and its proportion to the total in the years indicated.

TABLE 1
Co-operative Departmental Trade
Analysis of Sales for Years 1931-1934

Year	1931	1932	1933	1934
Food and Confectionery	2,111,114	2,111,114	2,111,114	2,111,114
Drugs and Chemicals	1,111,111	1,111,111	1,111,111	1,111,111
Books and Stationery	1,111,111	1,111,111	1,111,111	1,111,111
Household Furniture	1,111,111	1,111,111	1,111,111	1,111,111
Electrical Appliances	1,111,111	1,111,111	1,111,111	1,111,111
Woolen Clothing	1,111,111	1,111,111	1,111,111	1,111,111
Children's Clothing	1,111,111	1,111,111	1,111,111	1,111,111
Shoes	1,111,111	1,111,111	1,111,111	1,111,111
Travel and Leisure	1,111,111	1,111,111	1,111,111	1,111,111
Other	1,111,111	1,111,111	1,111,111	1,111,111
Total	11,111,111	11,111,111	11,111,111	11,111,111

TABLE 41.

Co-operative Trade in Scotland

S C O T T I S H S E C T I O N

Analysis of Sales for years 1931, 1938, 1948 and 1951

Year	Grocery, Bread and Confectionery	Butchery	Greengrocery & Fish	Dairy	Chemist	Drapery, Tailoring & Outfitting, Boots & Shoes, Furnishing, & Hardware	Coal & Fuel	Other Depts.	Total
	£ mills.	£ mills.	£ mills.	£ mills.	£ mills.	£ mills.	£ mills.	£ mills.	£ mills.
1931	20.43 (100)	3.45 (100)	0.61 (100)	2.45 (100)	0.25 (100)	6.57 (100)	1.25 (100)	0.91 (100)	35.92 (100)
1938	24.33 (119)	3.76 (109)	0.75 (123)	3.35 (137)	0.35 (140)	7.88 (120)	1.57 (126)	0.62 (68)	42.61 (119)
1948	48.03 (235)	6.65 (193)	1.73 (384)	6.70 (273)	1.16 (464)	19.34 (294)	2.74 (219)	1.52 (167)	87.87 (245)
1951	62.49 (306)	8.05 (233)	1.97 (323)	8.10 (331)	1.52 (608)	25.79 (393)	3.36 (269)	2.08 (229)	113.36 (316)

(The figures in brackets are index numbers based on 1931 = 100)

Source: Information supplied by the Co-operative Union Limited.

TABLE 42.

Departmental Trade.

Department	<u>United Kingdom</u>				<u>Scotland</u>			
	1931	1938	1948	1951	1931	1938	1948	1951
	%	%	%	%	%	%	%	%
Grocery, Bread and Confectionery	59.68	57.78	51.98	52.6	56.88	57.10	54.66	55.13
Butchery	8.61	8.36	6.63	6.58	9.6	8.82	7.57	7.10
Confectionery	1.46	1.65	2.43	2.11	1.70	1.77	1.97	1.74
Fruit and Fish								
Dairy	5.56	8.74	11.29	10.60	6.82	7.86	7.62	7.15
Chemist	.48	.81	1.79	1.82	0.70	0.82	1.32	1.34
Dry Goods	16.08	15.73	19.08	19.87	18.29	18.49	22.01	22.75
Coal & Fuel	4.42	4.75	4.21	3.78	3.48	3.68	3.12	2.96
Other Depts.	3.51	2.18	2.59	2.64	2.53	1.46	1.73	1.83
Total	100	100	100	100	100	100	100	100

Sources: Co-operative Statistics and Table 41.

It is clear that the substance of co-operative trade in this period has remained almost static. No striking change can be noticed in the position held by any of the classified departments. The share of grocery, bread and confectionery taken as one group has declined from 56.88 per cent in 1931 to 55.13 per cent, of the total in 1951, whereas the proportion of trade in dry goods has increased from 18.29 to 22.75 per cent of the total. J.A. Hough, analysing co-operative trade in Great Britain, even maintains that

TABLE 43

practically the same position obtained in 1914.¹ Comparing the Scottish figures throughout the period with the United Kingdom figures, one finds that a similar stability exists. Changes are even less noticeable in Scotland alone than in the United Kingdom. Trade in dairy produce, for example, has increased from 5.56 to 10.60 per cent of the total in the United Kingdom, whereas in Scotland it increased from 6.82 to 7.15 per cent. This indicates clearly the slowness of the Scottish Movement in developing its trade structure, which has hitherto remained practically unchanged.

Because of the absence of any reliable data it is impossible to compare department co-operative trade with national trade in Scotland before the year of the census. An ascertainment of the position in 1950, however, will be adequate for our purpose, especially, as we have already seen, the departmental set-up has remained almost static. Table 43 shows the proportion of national trade in the various departments, as represented by the co-operative trade.

1. J. A. Hough, op.cit., p. 50.

TABLE 43.

Retail Trade by Kind of Business in Scotland

Proportion of Co-operative to National Trade

Kind of Business	Co-operative Volume of Sales £'000	Proportion to National Trade %
Grocery Group	51,815	37.31
Other Food retailers	23,538	25.21
Confectioners, Tobacconists, Newsagents	887	1.75
Clothing group	14,228	14.44
Hardware group	1,025	5.68
Booksellers, Stationers	-	-
Chemists goods, Photographic goods group	1,569	10.55
Furniture group	3,468	14.06
Jewellery, Leather, and Sports goods group	+	+
General group	4,060	10.33
Coal, Builders' materials, Corn group	3,139	15.29
Other non-food retailers	+	+
All departments	103,867	20.1

+ Information not available.

Source: Calculated from Census of Distribution and Other Services. Vol. 11, Table 9.

The figures in table 43 can be explained by references to certain other facts. Comparing personal spending in Scotland with spending in Great Britain, one finds that more is spent on food in Scotland. According to table 44 in Scotland £44.82 was spent on food in 1950, whereas the equivalent figure for Great Britain is £42.60 only. This contributes slightly to the higher Co-operative trade per member noticeable in Scotland.

TABLE 44.

Spending per head of the population in 1950.

	Great Britain £	Scotland £
Grocery group	23.89	26.74
Other food retailers	18.71	18.08
Total food	42.60	44.82
Confectionery, Tobaccos, etc.	9.29	9.81
Clothing group	18.06	19.05
Hardware	4.45	3.49
Booksellers	1.39	1.18
Chemist	3.24	2.87
Furniture	5.28	4.76
Jewellery	1.63	1.53
General group	9.62	7.59
Coal, etc.	3.80	3.97
Other Non food	1.08	0.96
Total non-food	57.85	55.21
Total spending	100.45	100.03

Source: Census of Distribution and Other Services, 1950.
Vol.11.

Consumption habits in Scotland also favour a higher figure in the type of trade dealt with by co-operative societies; for example the Scottish household depends more on cereal food and

on home-made meals.¹ Moreover the Scottish Movement is well ahead of the British Movement in the number of grocery outlets, as is indicated by table 45.

TABLE 45.

Co-operative Retail Establishments

	<u>Scotland</u>	<u>Great Britain</u>
Grocery group, No. of Estab.	1698	11,108
Other food retailers, No. of Estab.	1748	9,252
All food retailers, No. of Estab.	3446	20,360
<hr/>		
Co-operative Membership 1950, No. of members	1,240,261	10,569,353
<hr/>		
No. of Establishments for every 1000 members	2.49	1.91
<hr/>		
No. of Establishments for every 1000 of the population	0.664	0.415
<hr/>		

Sources: Calculated from Census of Distribution and Co-operative Statistics for 1950.

Co-operative societies' sales in confectionery, tobacco and jewellery are negligible. This may be attributed to the fact that the Movement has failed to provide the consumer with the type of shop which usually sell these goods, namely the speciality shop. Tobacco and confectionery are usually sold

1. A.K. Cairncross, op. cit. p.172.

by Co-operative societies in grocery shops. Some societies, such as St. Cuthberts and Dunfermline, have ventured into this field of speciality shops, but as yet there are no signs of a wide extension of this policy. The following table shows the number of retail establishments in each of these trades as indicated by the census returns.

TABLE 46.

Number of Establishments in Confectionery, Tobacco and Jewellery

Kind of Business	Co-operative Establishments Number	Private Trade Establishments Number	Proportion of Co-operative to Private Trade Establishments. %
Chocolate, sugar, etc.	6	3769	0.15
Tobacconist	24	937	2.5
Jewellery, watches & clocks	5	615	0.8

Source: Census of Distribution and Other Services, Vol.11, Table 9.

Shops selling tobacco and confectionery usually belong to the small retailer's group and they open for long hours. According to the census returns 92 per cent of the chocolate group shops and 76 per cent of the tobacconist shops belong to organisations having one establishment only.¹ This practice may have hindered the Movement from establishing such shops, since trade unions and employees are not likely to support the idea. Moreover in

1. Census of Distribution and Other Services, 1950., Vol.11, pp. 105 and 115.

tobacco and cigarettes particularly, because of the low margins obtainable, Co-operative societies add a supplement to the standard price in order to compensate for part of the dividend to be paid on purchases. If such speciality shops were to be opened it would pay the Movement to sell such goods at the lowest possible prices and without paying dividend on purchases from these shops. The payment of the dividend and the higher price may still operate for the purchases of these goods from the society's grocery shops. In fact St. Cuthbert's Society sells cigarettes in its cafes at the standard price, whereas higher prices are charged when these goods are sold in the grocery shops or the tobacco shops, when the member gets a dividend on all his purchases. The form of speciality shop which we envisage would be an ordinary shop selling to the public in the ordinary manner without any regulations in respect of membership. climax checks or credit. Such shops should be located in the best selling points for the type of goods they sell, e.g. tobacconist and confectionery shops might well be located near cinemas, theatres and in the busy centres of the town.

The weak position of Co-operative enterprise in the clothing, furniture and hardware trades can be explained by some different reasons. An analysis of the Co-operative's share in the various classes of the clothing trade, according to table , shows that in women's wear their share of trade does not exceed 7.4 per cent; in wool and art needlework their trade is negligible. Moreover in men's wear they have a share of 4.4 per cent of the total trade.

Co-operative societies in general have failed to compete with other forms of retail organisation in the classes of goods where changes of fashion occur frequently. Because of the considerations mentioned in chapter 6 on management, Co-operative enterprise by its very nature, is reluctant to take risks and lead or even follow the trend of changing styles and fashions. Moreover it is known that Co-operative societies have concentrated on the requirements of the woman shopper and have neglected the type of goods usually bought by men themselves, hence the relatively higher proportion in women's wear than men's. The changing habits of buying and selling in this class of goods have hardly taken effect in the Co-operative Movement. Window-dressing and the site and layout of shops are more important in selling this class of goods than in grocery and other food trades. As observed in chapter 5 Co-operative societies still cling to their old centres, and they are not prepared to pay high prices to acquire premises in the new shopping centres to which consumers are strongly attracted. Moreover it appears from the census returns that co-operative societies still sell men's and women's wear in one department, since under this classification they sell 27.5 per cent of the total trade, this being the highest proportion in the clothing group. Co-operative societies have more of the general type of shop selling men's and women's wear together than they have from the specialised shops. In fact this is contrary to the general practice in the clothing trade, where shops are becoming more specialised in selling one kind of clothing only.

TABLE 47.

Scottish Co-operative Trade in Clothing

Kind of Business	Proportion to national trade		
	Co-operative Sales £'000	Total Retail Trade £'000	Proportion Co-operative to National trade %
Boots & Shoes	2,456	15,063	16.3
" " " with repairs	368	1,050	35.0
Men's Wear	711	16,129	4.4
Women's Outwear	+	8,170	+
Women's Underwear	79	1,284	6.1
Women's Outfitters	1,421	19,100	7.4
Infants Children Wear	64	598	10.7
Men's & Women's Wear	8,697	31,669	27.5
Wool & Art Work	-	349	-
Drapers	360	3,221	11.2
Second-hand Clothing	-	171	-
Total	14,228	98,558	14.4

+ Information not available.

Source: Census of Distribution, Vol.II, Table 9.

Co-operatives have a share of 16.3 per cent of the total Scottish trade in boots and shoes. Considerable changes in the production and marketing of boots and shoes, in respect of styles and layout, have occurred during the last fifty years,¹ to which the Co-operative Movement have again been slow to react. It is most likely that the bulk of co-operative trade in these goods is in the classes which are not so much subject to fashion changes.

1. J.B. Jefferys, op. cit., p. 374.

With regard to furniture and hardware goods the detailed figures disclosed by the census are incomplete. But of the total trade in furniture, co-operative societies have a share of 14.06 per cent, and of domestic furniture alone they have a share of 17.8 per cent. Large-scale retailing has a much higher share in the latter, viz. 37.7 per cent. This type of goods is mainly sold on hire-purchase and credit terms. In Great Britain, out of a total trade in domestic furniture of £145.88 m. in 1950, goods to the value of £115.4 m. or 74 per cent of the total were sold on hire-purchase terms.¹ The same conditions apply to radio and other electrical household equipment. Co-operative societies are very slow in adapting themselves to new marketing conditions, and some co-operative leaders still object to hire-purchase on ethical grounds. We have seen how in the Blantyre Society the Committee objected for some time to introducing hire-purchase in its business. In one or two other societies the Committee supervises all hire-purchase business to the extent that management has not a free hand in undertaking such transactions. Unless the Movement adopts a clear-cut policy on such points as hire-purchase and credit trading and shows an enterprising attitude, it cannot expect to stand against competition from private enterprise. Small societies, however, may find it difficult to allocate vast amounts of capital to finance hire-purchase and club-trading schemes. The S.C.W.S. Bank might well consider the possibility of acting

1. Census of Distribution. Vol. 11., p.167.

as a financier to a national hire-purchase fund. Retail societies could then depend on this fund and hire-purchase trading could be, as a consequence, greatly stimulated.

For the purpose of discovering local variations in the departmental trade of retail societies an analysis is made here of the trade of five retail societies. Table 48 shows the departmental distribution of trade per member in a period of six months during 1953. It is clear from this table that the departmental classification followed by retail societies is not uniform. St. Cuthbert's Society, for example, has no separate accounts for hardware or furniture, both of which are included under drapery. This diversity in procedure makes it inevitable to make the comparison on wider groupings such as grocery, and dry goods so that the inconsistency in the form of accounts can be avoided. It will be noticed from the table that the bulk of the difference in trade between one society and another lies in the food trades, particularly in grocery. The East Lothian Society, for example, which has the highest trade per member among the five societies, £16 above the average for the five societies, has the highest trade per member in the food trade, £14.3 above the average for the five societies. Of this amount £12.9 is the difference in grocery alone. The Glasgow South Society, on the other hand, is £10.1 below the average for the five societies, £8.9 of which is the difference in the food trades. Apart from this general tendency the following observations may be made.

1. Some societies have a distinctly higher trade per member in one particular department. The reason in most cases is that the society supplies one or two

Departmental Trade of Five Retail Societies

neighbouring societies with their requirements from that particular trade, or it may be that local hospitals and schools are also supplied. Examples of this case are the high trade in milk made by Perth Society and in bread made by St. Cuthbert's Society.

2. Exceptionally low figures in certain departments may be noticed in the case of one or two societies. The reason here is that the potential trade per member is not always the same for different societies. A society located in a mining area cannot be expected to have the same amount of coal sales per member as another society situated in an urban town. The trade in coal is exceptionally low in the East Lothian Society, £0.39 per member against an average of £1.0.

On the whole the figures in this table stress the fact that, where retail societies have a high trade per member, it is in grocery and other food trades that they have advanced most and not in dry goods. In fact the whole of the statistical analysis presented in this chapter leads to the conclusion that the Movement so far has been one-sided in its trade developments. Great attention has been given to the grocery and food trades whereas the dry goods have been neglected. If this is true then it suggests to us some betrayal of the Movement's ultimate aim, which can be briefly expressed as the provision of consumers' needs and the safeguarding of consumers' interests.

Departmental Trade of Five Retail SocietiesSix months' trade per member¹

St. Cuthbert's Glasgow East Perth Blantyre Average
South Lothian Five
Societies

Department	£	£	£	£	£	£
Grocery	20.6	22.2	38.0	20.0	24.6	25.1
Bread	4.1	-	3.0	3.4	3.5	
Fleshing	4.1	4.0	7.8	3.3	6.7	
Fruit & Fish	1.4	0.3	1.2	2.0	0.7	
Tobacco	-	-	0.2	-	-	
Milk	3.4	6.1	3.7	10.4	8.7	
Farms & Market Gardens	-	-	1.8	0.1	-	
Catering	0.1	-	-	0.9	-	
Total Food	33.7	32.6	55.7	40.1	44.2	41.5
Drapery	7.1	5.0	8.4	5.5	} 8.3	
Boots & Shoes	0.9	1.4	1.5	2.1		
Furniture	-	2.1	-	2.5	-	
Hardware	-	-	2.1	-	1.4	
Radio	-	-	-	1.3	-	
Chemist	0.9	0.2	0.9	-	-	
Boot Repairing	-	-	-	0.4	-	
Total Dry Goods	8.9	8.7	12.9	11.8	9.7	10.4
Coal	0.9	1.1	0.4	1.8	0.9	
Funeral						
Furnishing	0.2	0.5	-	-	-	
Other Departments	-	-	-	0.8	0.1	
Total	43.7	42.9	69.0	54.5	54.9	53.0

1. Six months ending September - October 1953.

Source: Calculated from information supplied by the societies indicated.

The dry goods trade has passed through various stages of development and considerable changes have occurred in marketing, display and layout. The grocery and food trades have also passed through similar developments but there is difference of degree, and the effect is not so obviously noticeable in the food trades. The Co-operative Movement has unfortunately lagged behind in adapting itself to the new circumstances and it is relevant to ask the reason for this.

A summation of the conclusions reached in the previous chapters may well provide us with an explanation of this phenomenon.

1. Co-operative Movement

A. The Retail Society

On the whole the Co-operative Movement has been successful in its efforts to improve the conditions of the working class. It has succeeded in establishing a large number of co-operative societies, and in many cases these societies have been able to secure better prices for their goods than the ordinary retail trade. This has been due to the fact that the co-operative societies have been able to secure better prices for their goods than the ordinary retail trade. This has been due to the fact that the co-operative societies have been able to secure better prices for their goods than the ordinary retail trade.

It is, however, a fact that the Co-operative Movement has not been able to secure the same success in the food trade as it has in the dry goods trade. This is due to the fact that the food trade is a more competitive trade than the dry goods trade. The food trade is a more competitive trade than the dry goods trade. The food trade is a more competitive trade than the dry goods trade.

SUMMARY OF CONCLUSIONS

An appraisalment of the nature and effect of the practical application of the principle of democratic control underlies any examination of the major problems of the organisation and development of the Scottish Co-operative Movement. In the foregoing analysis the problems of the Movement have been considered in respect of co-operative democracy, co-operative management, co-operative production and co-operative employment. The conclusions reached in the foregoing chapters can be summarised in the following manner:

1. Co-operative Democracy

A. The Retail Society:

On the whole 70 per cent of the Scottish population purchase goods from retail co-operative societies. The relative strength of the Movement varies from one district to another, and to-day the Movement is still confined to the industrial community and there it has failed to attract the very rich and the very poor. The Co-operative Movement has acquired this characteristic from the very nature of its trading set-up, the goods it sells, and the standard of dividend it seeks to maintain.

Despite its democratic nature, however, only one per cent of its membership is interested in the democratic principles of the Movement. This apathy on the part of the members can be attributed to (a) the fact that a majority of the members join the Co-op for some economic convenience, e.g. delivery of bread or milk,

(b) the fact that the dividend has lost most of its attraction, and (c) the growing size of the retail society.

This minority of interested members is composed of three distinct groups, namely, members of the Women's Guild, the employees, and those from the politically interested wing of the Movement. The balance among these three groups is at present sufficiently maintained, but with a shrinking minority of interested members the danger arises that the influence of one group, with an extraneous purpose of its own, might outweigh the influence of other groups. This may in the long run prove to be detrimental to the interests of the general body of members.

Certain devices have been introduced to stimulate the members interest, but these have met with little or no success. They include a) divisional meetings, b) area representation of the board, c) more frequent general meetings and, most important, d) a panel of members' delegates.

The members' will can be expressed to the board of management through their control of the trading policy and their continuous check on efficiency. An examination of the general practice of retail societies shows that control of the co-operative society today is not focussed on the important and vital problems of consumers' co-operation. Policy direction and the supervision of efficiency standards are not prominent in the business of the general meetings. Instead, a large amount of the time of the general meeting is absorbed in sifting out complaints. Moreover the dividend rate is still looked upon in some parts of the country as the criterion of efficiency standard, with the consequence that management committees are reluctant to reduce

the current rates of dividend, and capital expenses are badly curtailed.

We have suggested that interest in control might well be stimulated by,

- i) educating the member first as consumer and secondly as co-operator;
- ii) facilitating the responsibility of checking efficiency by devising a system of management audit from which both the management committee and the ordinary member will get the right kind of information necessary for supervision;
- iii) encourageing the independent groups which operate among the ranks of the members, and
- iv) making the best possible use of these organised groups which are in an advantageous position to collect information, stimulate discussion, and present the lay member's point of view.

B. The Wholesale Society:

An analysis of the composition of the trade and capital of the S.C.W.S. shows that the Wholesale Federation is predominantly, if not exclusively, a consumers' organisation. In practice its control is rightly confined to the Scottish retail societies, by far the largest section of the members buying from the Wholesale. Control is exercised through a) the general meeting, which is a check on efficiency and b) a number of joint committees composed of representatives of the Wholesale and retail societies, advising the S.C.W.S. Board on matters of general policy. The

Board of the S.C.W.S. is further expected to make itself familiar with policy trends in the Movement at large, and to act accordingly. We concluded this section by pointing out that the S.C.W.S. should be considered as fundamentally a trading organisation. The Co-operative Union, on the other hand, is rightly placed to effect a fusion of the Movement's economic and social aims.

C. The Co-operative Union:

The organisation of the Co-operative Union at district, sectional, and national levels, provides the Movement with a complete chain of structures and sub-structures linked with one another for the purpose of focussing attention on important national problems and formulating a Co-operative public opinion which could be recognised as the Movement's general policy. It is noticeable, however, that the business experts of the Movement work in a field widely separated from the fields of the politicians and the educationists of the Movement. It appears that the Movement to-day lacks a unity of purpose, and a re-appraisal of the Movement's ultimate aims is needed. If a new philosophy can emerge from a serious consideration of the social objectives of the Movement in the light of present-day conditions, and if this new philosophy acquires the universal acceptance of all those engaged in furthering the Movement's cause, a unity of purpose can then be achieved and maintained.

2. Co-operative Management and Organisation

A. The Retail Society:

An examination of the managerial problems of the Co-operative

retail society shows that certain factors characterising co-operative enterprise as distinct from private trade effect certain differences in management practice. These differences however are not so significant as they appear at first sight. To eliminate any false impressions of their significance, we suggested that the following factors should be considered:-

i. The objectives and implications of consumers' democratic control should be clearly defined with regard to (a) the relationship between the general body of members and the management committee, and (b) the relationship between the committee and the general manager.

ii. A perfect understanding of the Movement's aims and ideals by employees and managers is essential so that a diffusion of initiative and responsibility is to be brought into effect. The impact of the Movement's social aims on its trading policy must be clearly understood by all concerned. Hence the vital importance of the education and training of the Co-operative employee and the Co-operative manager.

iii. The pressure of the factor "consumers' choice" on the management of the retail society is gradually becoming free from the influence of the special circumstances of co-operative enterprise, i.e. loyalty to the Co-operative society, absence of competition from private enterprise, and the psychological effect of the dividend. The necessity therefore arises for quicker response to consumers' changing needs. Market research and a plan for development should help a great deal towards meeting consumers' demands. We suggested that a special official might be appointed

in every society of medium or large size to study the market and to plan for development. Small-sized societies might depend on the Co-operative Union to carry out the necessary investigation on their behalf.

iv. Co-operative shops belonging to one society usually operate under different circumstances, for example, the site of the shop, the degree of competition from private enterprise, and the number and class of customers who patronise the shop.

Adaptability to local conditions therefore becomes necessary and this can flow from the delegation of authority to the lower levels of management and from consultation between managers of shops in each locality.

B. The Wholesale Society:

In an organisation of the magnitude of the S.C.W.S. the most important function of top management is the co-ordination of activities in its various departments. With the present structure of the Wholesale Society there is no single point at which all channels of direction and co-ordination meet, save for the board in its corporate capacity. The activities of the S.C.W.S. have continued to grow in kind and complexity without any consequent re-organisation of its managerial machinery, and one inherent deficiency in the present organisation is the assignment of executive power to the board. Lack of effective leadership is noticeable throughout the organisation. The following suggestions have been made:

- (a) The position of 'Secretary' might be widened in scope so that it covers the usual responsibilities of a general manager in

a business undertaking, with the board delegating its executive power to the general manager, who will act as the leader of the team of executives.

- (b) Between the level of first line manager of whom there are 46 in the S.C.W.S., and that of the general manager, a further co-ordinative link is needed. Three new positions might be created, three divisional managers working under the direct supervision of the general manager and to each of whom shall be assigned the supervision of a number of first line managers.
- (c) Because of a lack of policy understanding and appreciation, particularly at the lower levels of management, the practice might be promoted of regular conferences and consultative committees of staff and executives at all levels of the managerial hierarchy.
- (d) In the S.C.W.S. the need is obvious for supplying those in the line of operational command with specialised skills to provide them with the necessary information. Market research is one prominent example of such needed service.

3. Co-operative Production

A characteristic of Co-operative production in Scotland is the absence of local federal and producers' societies. Several reasons are given for this phenomenon, and the outcome is a close relationship between the retail societies and their Wholesale Federation. On the whole, there is more production in Scotland than in England and Wales.

A. Production by the Retail Societies:

Despite a large figure of production per member in Scotland it is noticed that the bulk of production by the retail societies comes from a limited number of these societies mainly among the large and medium-sized ones. 61.2 per cent of the total production comes from 21 societies only.

It is also observed that societies in the East of Scotland depend less on the S.C.W.S. and produce more of their own goods. On the whole, districts other than those in the West of Scotland where most of the S.C.W.S. factories are concentrated, produce more on their own and depend less on the Wholesale's production. This same tendency was noticed in a consideration of the retail societies' purchases from the Wholesale, presented in Chapter 4.

A comparison between retail societies' production in Scotland and that in England and Wales shows that the Scottish societies produce more and have greater variety. Certain activities which in England are usually undertaken by federal societies are in Scotland undertaken by the Wholesale Society; for example, laundering and funeral undertaking. A fuller service is provided to the consumer in Scotland.

B. Production by the Wholesale Society:

i. Mechanisation. An examination of mechanisation expenses in S.C.W.S. factories in relation to the total conversion cost shows a wide variety in the degree of mechanisation among the different plants. This is attributed to (a) differences in the nature of the manufacturing process, (b) differences in the size of plant, and (c) the state of machinery, whether modernised or obsolete.

A comparison of mechanisation expenses in a number of C.W.S. factories with their equivalents from the S.C.W.S. shows that the latter have in most cases a lower degree of mechanisation. This difference is attributed to the relatively limited market supplied by the S.C.W.S. and the extensive variety of S.C.W.S. productions in single plants which hinder the use of specialised machinery.

ii. The Size of plant. The majority of S.C.W.S. factories fall within the same range of size as that prevailing in the industry. Only in a few cases are Co-operative factories smaller than the prevailing size of plant in the industry. On the whole the S.C.W.S. confines itself to industries in which the prevailing size of plant is of a small or medium size. If the S.C.W.S. intends to exceed this range and if it is to attain a reasonable degree of specialisation, it must seek a wider market.

iii. The choice of location. The coefficient of co-operative localisation, worked out on a specially devised formula, is 0.157 which indicates a great similarity between the location of S.C.W.S. factories and that of manufacturing industry in general.

The Glasgow region includes 55.1 per cent of all manufacturing industry in Scotland and 65.7 of Co-operative industry. The relatively heavy concentration of Co-operative industry in this region is attributed to three reasons, namely (1) the historical development of the S.C.W.S. in the West of Scotland, (2) the presence of certain general external economies which attract all

industrial plants to the area, and (3) some internal economies arising out of the gradual concentration of S.C.W.S. plants in this region particularly in Glasgow and Shieldhall.

Certain other factors, however, attract S.C.W.S. plants to other industrial regions,

- (a) A highly localised industry attracts a large proportion of the industry to a particular district, e.g. the S.C.W.S. jute factory in Dundee, its tweed mill at Selkirk, the furniture factory at Beith, or the linen and linoleum plants at Falkirk;
- (b) Developments in the practice of marketing the final product of an industry may influence the location of its producing plants. The direct distribution of hosiery from manufacturer to retailer has influenced the placing of S.C.W.S. factories at a point near the purchasing society. Thus the four hosiery factories are located at Shieldhall, Leith, Kilmarnock and Shotts.
- (c) A high cost of transport either of the raw material or the finished product influences the location of the producing plant. Examples are soft drinks factories, milk bottling depots and flour mills.

Retail societies sometimes demand that the Wholesale establish its factories in economically depressed areas so that regard may be had to the economic welfare of co-operative members with a consequent development in the economic prosperity of these societies. There are no indications, however, to show that the

S.C.W.S. at any time has been exclusively influenced by these demands of the retail societies.

iv. S.C.W.S. expansion. The limitations on any potential S.C.W.S. expansion are classified as follows:

- (a) a limited market;
- (b) a limited supply of raw materials;
- (c) a monopolistic tendency;
- (d) industries not closely related to consumer goods;
- (e) fashion goods.

C. Planning for Co-operative Production:

If the S.C.W.S. is to gain fully the economies of large-scale production it must first go beyond its limited Scottish Co-operative Market and, secondly concentrate on producing a limited variety of styles in its factories so that specialisation can take effect. Co-operative goods should be sold to retailers and wholesalers from private trade and this would be strong evidence of their competitiveness. Support from the retail societies is vital, but this should not be the sole determinant of the success of co-operative production. Loyalty to the Wholesale Society must be based only on economic considerations; otherwise it can be detrimental to the interests of the Movement at large. Continual consultation should take place between the retail societies and the Wholesale so that long-term planning for the development of Co-operative production can ensue with success.

4. Co-operative Employment

Historically the Co-operative Movement has played an important role in organising the labour front in the distributive trades and in improving the standard of wages and conditions of work. This is, in fact a major achievement of the Movement in fulfilling one of its social responsibilities. Yet, somehow in the process of improving labour relations, confusion has occurred in the issue of workers' control which, if left to reach its natural conclusion, is likely to hamper morale and suppress initiative and creativeness.

In its recruitment policy the Co-operative Movement, by confining itself to members of Co-operative families, is depriving itself of some of the best talent in trade and industry. A proper training for entrants to the Movement's service on Co-operative principles in respect of business organisation would seem to be a better policy. Co-operative employees through their power in the Society's general meetings can exert pressure on the management of the Society. This pressure can only be arrested by stimulating interest in control among other sections of the members.

With regard to granting employees, full membership rights, including the right to be elected to the management committee, the general practice appears to be that only large and medium sized societies do so, whereas small societies still deprive their employees of this right. A consideration of the arguments in favour of and against allowing employees to sit on boards of

management and the practice of societies, does not favour the adoption of this practice.

A comparison of wage rates and hours of work in co-operative and private trade shows that the Co-operatives pay more to general distributive and clerical workers. Payment to shop managers, on the other hand, tends to be more in the Co-operatives for the lower grades (with a low volume of trade), but as the volume of trade increases the multiple shops pay higher increments, with the result that the scale reverses in favour of the multiples in the case of larger shops.

Relations between the Co-operative and the Trade Union Movements are cordial and disputes are rare. National agreements operate between the two Movements with regard to wages and hours of work. But the system of tying societies rigidly to national agreements suffers from lack of incentives devised and adapted to suit the society's local circumstances. This may be a strong reason for the lack of initiative and creativeness.

There are no indications to show that a genuine revival of the idea of joint advisory councils is taking place. Management at top and mid levels is not yet convinced of any possible benefits likely to accrue from consultation with employees. A feeling among management personnel that employees are over represented and exercise too much influence on top control, is largely justified. Better labour management relations would result if all labour matters were left to the management, and not to the board. The board must be left as the last resort to ensure justice and fair play.

APPENDIX 1Towns with more than one Co-operative Society

<u>District</u>		<u>Town</u>	<u>Societies Operating</u>	
Ayrshire	1.	Saltcoats	Stevenston	(2,824) ¹
			Ardrossan	(7,113)
	2.	Kilmarnock	Kilmarnock	(29,048)
Central			Crosshouse	(2,651)
	3.	Coalburn	Abbeygreen	(1,524)
			Auchenbeath	(1,195)
	4.	Mossend	Bellshill & M.	(4,147)
			Chapelhall	(4,600)
	5.	Kirkmuirhill	Auchenbeath	(1,195)
			Larkhall V.	(3,414)
	6.	Hamilton	Burnbank	(4,706)
			Hamilton C.	(7,793)
	7.	Airdrie	Chapelhall	(4,600)
			Clarkston	(1,553)
			Coatbridge	(17,317)
	8.	Bothwell	Hamilton Palace Baking	(552)
		Uddingston		(5,690)
	9.	Larkhall	Larkhall	(3,603)
			Larkhall V.	(3,414)

1. Figures between brackets indicate the number of members according to 1951 statistics. (Sources: Co-operative Directory and Co-operative Statistics.)

District.

Central (contd.)	10.	Stonehouse	Larkhall V.	(3,414)
			Larkhall	(3,603)
	11.	Wishaw	Newmains and Cambusnethan	(3,027)
			Wishaw	(10,850)
East of Scotland	12.	Blackridge	Armadale	(3,293)
			West Benhar	(4,171)
	13.	Newtongrange	Gorebridge	(4,318)
			Musselburgh	(12,444)
	14.	Edinburgh	St. Cuthbert's	(91,682)
			Leith	(30,547)
			Portobello	(5,343)
Falkirk	15.	Falkirk	Carron	(1,063)
			Falkirk	(20,796)
	16.	Plean	Falkirk	(20,796)
			Bannockburn	(3,838)
Fife and Kinross	17.	Dunbeath	Buckhaven	(5,115)
			Methil	(6,185)
	18.	Townhill	Dunfermline	(22,555)
			Townhill	(2,790)
	19.	Kirkcaldy	Dysart	(7,879)
			Kirkcaldy	(15,688)
	20.	Lochore	Kelty	(1,474)
			Lochgelly	(9,331)
	21.	Methil	Methil	(6,185)
			Reform (Leven)	(7,814)

District.

Fife and Kinross	22.	Leven	Methil	(6,185)
			Reform	(7,814)
Glasgow and District	23.	Glasgow	Clydebank	(33,205)
			Cowlairs	(33,992)
			Glasgow E.	(24,646)
			Glasgow L.R.	(5,563)
			Glasgow S. Rollox	(12,827)
			Glasgow South	(76,325)
			Rutherglen	(9,688)
			Glasgow St. George	(25,312)
			Paisley Mfg.	(32,747)
			Greenock C.	(25,392)
Renfrew	24.	Greenock	Greenock E.	(4,744)
			Paisley Eq.	(4,302)
			Paisley Mfg.	(32,747)
	25.	Paisley		

APPENDIX 11S.C.W.S. Productive and Service PlantsShieldhall

Preserves
 Confectionery
 Coffee essence
 Pickles
 Chemical sundries
 Boot and shoe
 Furniture
 Sheet metal
 Tobacco
 Printing
 Hosiery

Glasgow

Ham curing
 Sausage
 Soft Drinks and Ice Cream
 Flour Mill
 Umbrella
 Men's Underwear
 " Outwear
 Children's Juvenile Wear
 Woollen Shirts
 Weighing machine repairs
 Brush
 Bedding
 Leather goods
 Creamery
 Motor-body and Cartwright

Edinburgh and Leith

Flour Mills (2)
 Preserves
 Ham curing
 Hosiery

Falkland
Linen
Linoleum

Kilmarnock

Ham curing
 Creamery

Aberdeen

Fish curing
 Soft Drinks
 Oat-meal Mill

Dunfermline

Soft Drinks
 Laundry

Lerwick

Fish curing

Dumfries

Soft Drinks

Galston

Blankets

Hawick

Soft Drinks

Stirling

Soft Drinks

Wick

Soft Drinks

Aberfeldy

Soft Drinks

InvernessSoft Drinks
LaundryDundeeJute
LaundryPeterhead

Fish curing

Gordonstown

Fish curing

Dunbarton

Creamery

Kirkintilloch

Hosiery

Shotts

Hosiery

PaisleyDress shirts 1
CreamerySelkirk

Tweed

Beith

Furniture (2)

GrangemouthSoap
LaundryGalashielsLaundry (2)
Creamery

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1. Other S.C.W.S. Creameries are located at Dysart, Bathgate, Brechin, East Kilbride, Shettleston, Stranraer, Coatbridge, Wishaw, and Dunbarton.
 2. Other S.C.W.S. laundries are located at Lochgelly, Auchinleck, Barrhead, Maryhill, Carnoustie, Bon Accord, Bonne, Drâm and Largs.

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